

RIVERSIDE COUNTY

Audit Report

ANIMAL ADOPTION PROGRAM

Civil Code Sections 1834 and 1846 and Food and Agriculture
Code Sections 31108, 31752, 31752.5, 31753, 32001 and 32003
(added and amended by Chapter 752, Statutes of 1998)

*July 1, 1998, through June 30, 2009,
excluding July 1, 2003, through June 30, 2005*



JOHN CHIANG
California State Controller

June 2011



JOHN CHIANG
California State Controller

June 6, 2011

The Honorable Bob Buster, Chairman
Board of Supervisors
Riverside County
4080 Lemon Street
Riverside, CA 92501

Dear Mr. Buster:

The State Controller's Office audited the costs claimed by Riverside County for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2009, excluding July 1, 2003, through June 30, 2005.

The county claimed \$5,330,947 for the mandated program. Our audit disclosed that \$2,857,213 is allowable, and \$2,473,734 is unallowable because the county claimed unallowable costs, claimed estimated costs, misstated animal census data, misstated offsetting revenues, under-claimed costs, and overstated indirect cost rates. The State paid the county \$2,997,115. The amount paid exceeds allowable costs claimed by \$139,902.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/wm

cc: The Honorable Paul Angulo
Riverside County Auditor-Controller
Russell Dominski, Principal Accountant
Riverside County Auditor-Controller's Office
Robert Miller, Director
Animal Services Department, Riverside County
Betsey Webster, Animal Services Deputy Director II
Animal Services Department, Riverside County
Dr. Allan Drusys, Chief of Veterinary Services
Animal Services Department, Riverside County
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Riverside County for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004, for the period of July 1, 1998, through June 30, 2009, excluding July 1, 2003, through June 30, 2005).

The county claimed \$5,330,947 for the mandated program. Our audit disclosed that \$2,857,213 is allowable, and \$2,473,734 is unallowable because the county claimed unallowable costs, claimed estimated costs, misstated animal census data, misstated offsetting revenues, under-claimed costs, and overstated indirect cost rates. The State paid the county \$2,997,115. The amount paid exceeds allowable costs claimed by \$139,902.

Background

Food and Agriculture Code sections 31108, 31752-31753, 32001, and 32003 (added and amended by Chapter 752, Statutes of 1998) attempted to end the euthanasia of adoptable and treatable animals. It expressly identifies the state policy that "no adoptable animal should be euthanized if it can be adopted into a suitable home" and that "no treatable animal should be euthanized." The legislation increases the holding period for stray and abandoned dogs, cats, and other specified animals. It also requires public or private shelters to:

- Verify the temperament of feral cats;
- Post lost and found lists;
- Maintain records for impounded animals; and
- Ensure that impounded animals receive necessary and prompt veterinary care.

On January 25, 1981, the Commission on State Mandates (CSM) determined that Chapter 752, Statutes of 1998, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on February 28, 2002, corrected them on March 20, 2002, and last amended them on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

For fiscal year (FY) 2003-04, the Legislature suspended the Animal Adoption Program.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program for the period of July 1, 1998, through June 30, 2009, excluding July 1, 2003, through June 30, 2005.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Riverside County claimed \$5,330,947 for costs of the Animal Adoption Program. Our audit disclosed that \$2,857,213 is allowable and \$2,473,734 is unallowable.

For the FY 1998-99 claim, the State paid the county \$73,808. Our audit disclosed that \$49,122 is allowable. The State will offset \$24,686 from other mandated program payment due the county. Alternatively, the county may remit this amount to the State.

For the FY 1999-2000 claim, the State paid the county \$236,026. Our audit disclosed that \$188,850 is allowable. The State will offset \$47,176 from other mandated program payment due the county. Alternatively, the county may remit this amount to the State.

For the FY 2000-01 claim, the State paid the county \$258,596. Our audit disclosed that \$206,591 is allowable. The State will offset \$52,005 from other mandated program payment due the county. Alternatively, the county may remit this amount to the State.

For the FY 2001-02 claim, the State made no payment to the county. The State will pay allowable costs claimed totaling \$258,462, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the county. The State will pay allowable costs totaling \$219,632, contingent upon available appropriations.

For the FY 2005-06 claim, the State paid the county \$1,115,071. Our audit disclosed that \$305,658 is allowable. The State will offset \$809,413 from other mandated program payment due the county. Alternatively, the county may remit this amount to the State.

For the FY 2006-07 claim, the State paid the county \$1,313,614. Our audit disclosed that \$477,166 is allowable. The State will offset \$836,448 from other mandated program payment due the county. Alternatively, the county may remit this amount to the State.

For the FY 2007-08 claim, the State made no payment to the county. The State will pay allowable costs totaling \$562,185, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the county. The State will pay allowable costs totaling \$589,547, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on May 13, 2011. Robert Miller, Director, Department of Animal Services, responded by letter dated June 1, 2011 (Attachment), agreeing with the audit results except for Findings 1, 4, and 6. This final audit report includes the county's response.

Based on the county's response, we increased allowable costs by \$53,219; from \$2,803,994 to \$2,857,213. These changes are reflected in Findings 1, 4, 6, 9, and 10.

Restricted Use

This report is solely for the information and use of Riverside County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

June 6, 2011

**Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2009
(Excluding July 1, 2003, through June 30, 2005)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Training	\$ 964	\$ 964	\$ —	
Care and maintenance of other animals	7,497	350	(7,147)	Finding 4
Increased holding period	13,191	13,191	—	
Feral cats	523	523	—	
Lost and found lists	2,361	1,174	(1,187)	Finding 5
Maintaining non-medical records	33,451	25,079	(8,372)	Finding 6
Necessary and prompt veterinary care	1,073	11,574	10,501	Finding 7
Procuring equipment	2,580	5,609	3,029	Finding 8
Total direct costs	61,640	58,464	(3,176)	
Indirect costs	12,168	10,463	(1,705)	Finding 9
Total direct and indirect costs	73,808	68,927	(4,881)	
Less other reimbursements	—	(19,805)	(19,805)	Finding 10
Total program costs	<u>\$ 73,808</u>	<u>49,122</u>	<u>\$ (24,686)</u>	
Less amount paid by the State		(73,808)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (24,686)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 72,984	\$ 77,661	\$ 4,677	Finding 4
Care and maintenance of other animals	6,560	341	(6,219)	Finding 4
Increased holding period	30,893	30,893	—	
Feral cats	1,032	1,032	—	
Lost and found lists	12,125	2,396	(9,729)	Finding 5
Maintaining non-medical records	60,877	55,007	(5,870)	Finding 6
Necessary and prompt veterinary care	1,874	23,536	21,662	Finding 7
Procuring equipment	6,943	15,430	8,487	Finding 8
Total direct costs	193,288	206,296	13,008	
Indirect costs	42,738	65,640	22,902	Finding 9
Total direct and indirect costs	236,026	271,936	35,910	
Less other reimbursements	—	(83,086)	(83,086)	Finding 10
Total program costs	<u>\$ 236,026</u>	<u>188,850</u>	<u>\$ (47,176)</u>	
Less amount paid by the State		(236,026)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (47,176)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Computer software	\$ 448	\$ 448	\$ —	
Care and maintenance of dogs and cats	73,042	81,047	8,005	Finding 4
Care and maintenance of other animals	9,131	355	(8,776)	Finding 4
Increased holding period	32,843	32,843	—	
Feral cats	1,318	1,318	—	
Lost and found lists	12,571	2,484	(10,087)	Finding 5
Maintaining non-medical records	67,448	55,794	(11,654)	Finding 6

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001 (continued)</u>				
Necessary and prompt veterinary care	1,567	23,734	22,167	Finding 7
Procuring equipment	10,135	21,563	11,428	Finding 8
Total direct costs	208,503	219,586	11,083	
Indirect costs	50,093	73,558	23,465	Finding 9
Total direct and indirect costs	258,596	293,144	34,548	
Less other reimbursements	—	(86,553)	(86,553)	Finding 10
Total program costs	<u>\$ 258,596</u>	<u>206,591</u>	<u>\$ (52,005)</u>	
Less amount paid by the State		(258,596)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (52,005)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Training	\$ 4,073	\$ 4,073	\$ —	
Computer software	36,996	1,070	(35,926)	Finding 2
Care and maintenance of dogs and cats	75,797	83,540	7,743	Finding 4
Care and maintenance of other animals	6,143	366	(5,777)	Finding 4
Increased holding period	32,278	32,278	—	
Feral cats	1,640	1,640	—	
Lost and found lists	12,854	2,529	(10,325)	Finding 5
Maintaining non-medical records	67,406	91,837	24,431	Finding 6
Necessary and prompt veterinary care	1,701	23,955	22,254	Finding 7
Procuring equipment	5,544	10,870	5,326	Finding 8
Total direct costs	244,432	252,158	7,726	
Indirect costs	63,264	93,230	29,966	Finding 9
Total direct and indirect costs	307,696	345,388	37,692	
Less other reimbursements	—	(86,926)	(86,926)	Finding 10
Total program costs	<u>\$ 307,696</u>	<u>258,462</u>	<u>\$ (49,234)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 258,462</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Training	\$ 4,101	\$ 2,617	\$ (1,484)	Finding 1
Care and maintenance of dogs and cats	235,856	109,722	(126,134)	Finding 4
Care and maintenance of other animals	24,054	262	(23,792)	Finding 4
Increased holding period	32,822	32,822	—	
Feral cats	2,069	2,069	—	
Lost and found lists	5,763	2,773	(2,990)	Finding 5
Maintaining non-medical records	65,491	62,248	(3,243)	Finding 6
Necessary and prompt veterinary care	5,907	27,202	21,295	Finding 7
Procuring equipment	1,777	3,485	1,708	Finding 8
Total direct costs	377,840	243,200	(134,640)	
Indirect costs	43,878	81,332	37,454	Finding 9
Total direct and indirect costs	421,718	324,532	(97,186)	
Less other reimbursements	—	(104,900)	(104,900)	Finding 10
Total program costs	<u>\$ 421,718</u>	<u>219,632</u>	<u>\$ (202,086)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 219,632</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Renovating facilities	\$ 72,624	\$ —	\$ (72,624)	Finding 3
Care and maintenance of dogs and cats	182,305	65,165	(117,140)	Finding 4
Care and maintenance of other animals	49,978	222	(49,756)	Finding 4
Increased holding period	53,839	53,839	—	
Feral cats	3,123	3,123	—	
Lost and found lists	2,796	3,282	486	Finding 5
Maintaining non-medical records	71,867	117,602	45,735	Finding 6
Necessary and prompt veterinary care	421,649	14,643	(407,006)	Finding 7
Procuring equipment	20,405	36,192	15,787	Finding 8
Total direct costs	878,586	294,068	(584,518)	
Indirect costs	236,485	99,803	(136,682)	Finding 9
Total direct and indirect costs	1,115,071	393,871	(721,200)	
Less other reimbursements	—	(88,213)	(88,213)	Finding 10
Total program costs	<u>\$ 1,115,071</u>	305,658	<u>\$ (809,413)</u>	
Less amount paid by the State		(1,115,071)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (809,413)</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 141,520	\$ 97,952	\$ (43,568)	Finding 4
Care and maintenance of other animals	17,014	242	(16,772)	Finding 4
Increased holding period	70,871	70,871	—	
Feral cats	1,335	1,335	—	
Lost and found lists	81,947	3,514	(78,433)	Finding 5
Maintaining non-medical records	99,834	154,189	54,355	Finding 6
Necessary and prompt veterinary care	469,781	36,730	(433,051)	Finding 7
Procuring equipment	31,776	33,651	1,875	Finding 8
Total direct costs	914,078	398,484	(515,594)	
Indirect costs	399,536	171,518	(228,018)	Finding 9
Total direct and indirect costs	1,313,614	570,002	(743,612)	
Less other reimbursements	—	(92,836)	(92,836)	Finding 10
Total program costs	<u>\$ 1,313,614</u>	477,166	<u>\$ (836,448)</u>	
Less amount paid by the State		(1,313,614)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (836,448)</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 215,588	\$ 121,259	\$ (94,329)	Finding 4
Care and maintenance of other animals	15,124	456	(14,668)	Finding 4
Increased holding period	95,024	95,024	—	
Lost and found lists	—	3,469	3,469	Finding 5
Maintaining non-medical records	110,178	204,867	94,689	Finding 6
Necessary and prompt veterinary care	309,820	59,028	(250,792)	Finding 7
Total direct costs	745,734	484,103	(261,631)	
Indirect costs	269,137	197,513	(71,624)	Finding 9

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Total direct and indirect costs	1,014,871	681,616	(333,255)	
Less other reimbursements	—	(119,431)	(119,431)	Finding 10
Total program costs	<u>\$ 1,014,871</u>	<u>562,185</u>	<u>\$ (452,686)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 562,185</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 76,063	\$ 187,006	\$ 110,943	Finding 4
Care and maintenance of other animals	25,290	504	(24,786)	Finding 4
Increased holding period	91,313	91,313	—	
Lost and found lists	2,475	3,602	1,127	Finding 5
Maintaining non-medical records	407,242	217,519	(189,723)	Finding 6
Necessary and prompt veterinary care	<u>27,080</u>	<u>66,981</u>	<u>39,901</u>	Finding 7
Total direct costs	629,463	566,925	(62,538)	
Indirect costs	<u>343,597</u>	<u>304,174</u>	<u>(39,423)</u>	Finding 9
Total direct and indirect costs	973,060	871,099	(101,961)	
Less other reimbursements	(383,513)	(160,757)	222,756	Finding 10
Less allowable costs that exceed costs claimed ²	—	(120,795)	(120,795)	
Total program costs	<u>\$ 589,547</u>	<u>589,547</u>	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 589,547</u>		
<u>Summary: July 1, 1998, through June 30, 2009</u> <u>(excluding July 1, 2003, through June 30, 2005)</u>				
Direct costs:				
Training	\$ 9,138	\$ 7,654	\$ (1,484)	
Computer software	37,444	1,518	(35,926)	
Renovating facilities	72,624	—	(72,624)	
Care and maintenance of dogs and cats	1,073,155	823,352	(249,803)	
Care and maintenance of other animals	160,791	3,098	(157,693)	
Increased holding period	453,074	453,074	—	
Feral cats	11,040	11,040	—	
Lost and found lists	132,892	25,223	(107,669)	
Maintaining non-medical records	983,794	984,142	348	
Necessary and prompt veterinary care	1,240,452	287,383	(953,069)	
Procuring equipment	<u>79,160</u>	<u>126,800</u>	<u>47,640</u>	
Total direct costs	4,253,564	2,723,284	(1,530,280)	
Indirect costs	<u>1,460,896</u>	<u>1,097,231</u>	<u>(363,665)</u>	
Total direct and indirect costs	5,714,460	3,820,515	(1,893,945)	
Less other reimbursements	(383,513)	(842,507)	(458,994)	
Less allowable costs that exceed costs claimed ²	—	(120,795)	(120,795)	
Total program costs	<u>\$ 5,330,947</u>	<u>2,857,213</u>	<u>\$(2,473,734)</u>	
Less amount paid by the State		(2,997,115)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (139,902)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
Recap by Object Code				
Direct costs:				
Salaries and benefits	\$ 2,779,759	\$ 2,185,501	\$ (594,258)	
Materials and supplies	1,381,578	439,237	(942,341)	
Contract services	31,982	98,546	66,564	
Travel and training	6,567	—	(6,567)	
Fixed assets	53,678	—	(53,678)	
Total direct costs	4,253,564	2,723,284	(1,530,280)	
Indirect costs	1,460,896	1,097,231	(363,665)	
Total direct and indirect costs	5,714,460	3,820,515	(1,893,945)	
Less other reimbursements	(383,513)	(842,507)	(458,994)	
Less allowable costs that exceed costs claimed ²	—	(120,795)	(120,795)	
Total program costs	\$ 5,330,947	\$ 2,857,213	\$(2,473,734)	

¹ See the Findings and Recommendations section.

² Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2008-09.

**Schedule 2—
Summary of Care and Maintenance Costs
July 1, 1998, through June 30, 2009
(Excluding July 1, 2003, through June 30, 2005)**

Category	Actual Costs Claimed	Allowable per Audit		Audit Adjustments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 1998, through June 30, 1999</u>				
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ 58,893	\$ 613,014	\$ 94,876	
Percentage of other “eligible animals to total animals	× 100.00%	× 0.85%	× 0.85%	
Total care and maintenance costs for other “eligible” animals	\$ 58,893	\$ 5,211	\$ 806	
Total other “eligible” annual census	÷ 14,235	÷ 825	÷ 825	
Cost per “eligible” animal per day	\$4.1372	\$6.3163	\$0.97751	
Number of other “eligible” animals	× 453	× 8	× 8	
Reimbursable days	× 4	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	<u>\$ 7,497</u>	<u>\$ 303</u>	<u>\$ 47</u>	<u>\$ (7,147)</u>
<u>July 1, 1999, through June 30, 2000</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 562,492	\$ 634,924	\$ 98,253	
Percentage of dogs and cats to total animals	× 100.00%	× 97.41%	× 97.41%	
Total care and maintenance costs for dogs and cats	\$ 562,492	\$ 618,479	\$ 95,708	
Total dogs and cats annual census	÷ 93,440	÷ 163,379	÷ 163,379	
Cost per dog and cat per day	\$6.0198	\$3.7855	\$0.5858	
Number of dogs and cats	× 6,062	× 5,922	× 5,922	
Reimbursable days	× 2	× 3	× 3	
Total care and maintenance costs for dogs and cats	<u>\$ 72,984</u>	<u>\$ 67,253</u>	<u>\$ 10,408</u>	<u>4,677</u>
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ 24,660	\$ 634,924	\$ 98,253	
Percentage of other “eligible animals to total animals	× 100%	× 0.85%	× 0.85%	
Total care and maintenance costs for other “eligible” animals	\$ 24,660	\$ 5,397	\$ 835	
Total other “eligible” annual census	÷ 4,015	÷ 1,649	÷ 1,649	
Cost per “eligible” animal per day	\$6.1420	\$3.2729	\$0.5065	
Number of other “eligible” animals	× 267	× 15	× 15	
Reimbursable days	× 4	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	<u>\$ 6,560</u>	<u>\$ 295</u>	<u>\$ 46</u>	<u>(6,219)</u>
Total care and maintenance costs	<u>\$ 79,544</u>	<u>\$ 67,548</u>	<u>\$ 10,454</u>	<u>\$ (1,542)</u>
<u>July 1, 2000, through June 30, 2001</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 562,610	\$ 662,607	\$ 102,537	
Percentage of dogs and cats to total animals	× 100.00%	× 97.41%	× 97.41%	
Total care and maintenance costs for dogs and cats	\$ 562,610	\$ 645,445	\$ 99,881	
Total dogs and cats annual census	÷ 100,010	÷ 163,379	÷ 163,379	
Cost per dog and cat per day	\$5.6255	\$3.9506	\$0.6113	
Number of dogs and cats	× 6,492	× 5,922	× 5,922	
Reimbursable days	× 2	× 3	× 3	
Total care and maintenance costs for dogs and cats	<u>\$ 73,042</u>	<u>\$ 70,186</u>	<u>\$ 10,861</u>	<u>8,005</u>

Schedule 2 (continued)

Category	Actual Costs Claimed	Allowable per Audit		Audit Adjust- ments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 2000, through June 30, 2001 (continued)</u>				
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ 34,007	\$ 662,607	\$ 102,537	
Percentage of other “eligible animals to total animals	× 100.00%	× 0.85%	× 0.85%	
Total care and maintenance costs for other “eligible” animals	\$ 34,007	\$ 5,632	\$ 872	
Total other “eligible” annual census	÷ 5,840	÷ 1,649	÷ 1,649	
Cost per “eligible” animal per day	\$5.8231	\$3.4154	\$0.5285	
Number of other “eligible” animals	× 392	× 15	× 15	
Reimbursable days	× 4	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	\$ 9,131	\$ 307	\$ 48	(8,776)
Total care and maintenance costs	\$ 82,173	\$ 70,493	\$ 10,909	\$ (771)
<u>July 1, 2001, through June 30, 2002</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 582,229	\$ 682,989	\$ 105,691	
Percentage of dogs and cats to total animals	× 100.00%	× 97.41%	× 97.41%	
Total care and maintenance costs for dogs and cats	\$ 582,229	\$ 665,300	\$ 102,954	
Total dogs and cats annual census	÷ 96,725	÷ 163,379	÷ 163,379	
Cost per dog and cat per day	\$6.0194	\$4.0721	\$0.6302	
Number of dogs and cats	× 6,296	× 5,922	× 5,922	
Reimbursable days	× 2	× 3	× 3	
Total care and maintenance costs for dogs and cats	\$ 75,797	\$ 72,345	\$ 11,195	7,743
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ 47,889	\$ 682,989	\$ 105,691	
Percentage of other “eligible animals to total animals	× 100.00%	× 0.85%	× 0.85%	
Total care and maintenance costs for other “eligible” animals	\$ 47,889	\$ 5,805	\$ 898	
Total other “eligible” annual census	÷ 8,030	÷ 1,649	÷ 1,649	
Cost per “eligible” animal per day	\$5.936	\$3.5203	\$0.5448	
Number of other “eligible” animals	× 515	× 15	× 15	
Reimbursable days	× 2	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	\$ 6,143	\$ 317	\$ 49	(5,777)
Total care and maintenance costs	\$ 81,940	\$ 72,662	\$ 11,244	\$ 1,966
<u>July 1, 2002, through June 30, 2003</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 694,254	\$ 697,379	\$ 107,918	
Percentage of dogs and cats to total animals	× 100.00%	× 98.29%	× 98.29%	
Total care and maintenance costs for dogs and cats	\$ 694,254	\$ 685,454	\$ 106,073	
Total dogs and cats annual census	÷ 93,075	÷ 142,252	÷ 142,252	
Cost per dog and cat per day	\$7.4591	\$4.816	\$0.7457	
Number of dogs and cats	× 15,810	× 6,573	× 6,573	
Reimbursable days	× 2	× 3	× 3	
Total care and maintenance costs for dogs and cats	\$ 235,856	\$ 95,018	\$ 14,704	(126,134)

Schedule 2 (continued)

Category	Actual Costs Claimed	Allowable per Audit		Audit Adjust- ments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 2002, through June 30, 2003 (continued)</u>				
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ 56,023	\$ 697,379	\$ 107,918	
Percentage of other “eligible animals to total animals	× 100.00%	× 0.66%	× 0.66%	
Total care and maintenance costs for other “eligible” animals	\$ 56,023	\$ 4,603	\$ 712	
Total other “eligible” annual census	÷ 5,110	÷ 1,217	÷ 1,217	
Cost per “eligible” animal per day	\$10.9634	\$3.7823	\$0.5853	
Number of other “eligible” animals	× 1,097	× 10	× 10	
Reimbursable days	× 2	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	\$ 24,054	\$ 227	\$ 35	(23,792)
Total care and maintenance costs	\$ 259,910	\$ 95,245	\$ 14,739	\$ (149,926)
<u>July 1, 2005, through June 30, 2006</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 1,064,618	\$ 803,338	\$ 124,315	
Percentage of dogs and cats to total animals	× 100.00%	× 94.45%	× 94.45%	
Total care and maintenance costs for dogs and cats	\$ 1,064,618	\$ 758,753	\$ 117,416	
Total dogs and cats annual census	÷ 77,015	÷ 245,486	÷ 245,486	
Cost per dog and cat per day	\$13.8235	\$3.0908	\$0.4783	
Number of dogs and cats	× 6,594	× 6,086	× 6,086	
Reimbursable days	× 2	× 3	× 3	
Total care and maintenance costs for dogs and cats	\$ 182,305	\$ 56,432	\$ 8,733	(117,140)
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ 146,138	\$ 803,338	\$ 124,315	
Percentage of other “eligible animals to total animals	× 100.00%	× 4.49%	× 4.49%	
Total care and maintenance costs for other “eligible” animals	\$ 146,138	\$ 36,070	\$ 5,582	
Total other “eligible” annual census	÷ 10,585	÷ 19,178	÷ 19,178	
Cost per “eligible” animal per day	\$13.8061	\$1.8808	\$0.2910	
Number of other “eligible” animals	× 905	× 17	× 17	
Reimbursable days	× 4	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	\$ 49,978	\$ 192	\$ 30	(49,756)
Total care and maintenance costs	\$ 232,283	\$ 56,624	\$ 8,763	\$ (166,896)
<u>July 1, 2006, through June 30, 2007</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 1,554,575	\$ 973,961	\$ 226,582	
Percentage of dogs and cats to total animals	× 100.00%	× 96.96%	× 96.96%	
Total care and maintenance costs for dogs and cats	\$ 1,554,575	\$ 944,353	\$ 219,694	
Total dogs and cats annual census	÷ 121,910	÷ 321,220	÷ 321,220	
Cost per dog and cat per day	\$12.7518	\$2.9399	\$0.6839	
Number of dogs and cats	× 5,549	× 9,010	× 9,010	
Reimbursable days	× 2	× 3	× 3	
Total care and maintenance costs for dogs and cats	\$ 141,520	\$ 79,466	\$ 18,486	(43,568)

Schedule 2 (continued)

Category	Actual Costs Claimed	Allowable per Audit		Audit Adjust- ments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 2006, through June 30, 2007 (continued)</u>				
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ 80,959	\$ 973,961	\$ 226,582	
Percentage of other “eligible animals to total animals	× 100.00%	× 1.20%	× 1.20%	
Total care and maintenance costs for other “eligible” animals	\$ 80,959	\$ 11,688	\$ 2,719	
Total other “eligible” annual census	÷ 6,205	÷ 3,927	÷ 3,927	
Cost per “eligible” animal per day	\$13.0474	\$2.9763	\$0.6924	
Number of other “eligible” animals	× 326	× 11	× 11	
Reimbursable days	× 4	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	\$ 17,014	\$ 196	\$ 46	(16,772)
Total care and maintenance costs	\$ 158,534	\$ 79,662	\$ 18,532	\$ (60,340)
<u>July 1, 2007, through June 30, 2008</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 1,310,074	\$ 1,257,067	\$ 230,816	
Percentage of dogs and cats to total animals	× 100.00%	× 96.44%	× 96.44%	
Total care and maintenance costs for dogs and cats	\$ 1,310,074	\$ 1,212,315	\$ 222,599	
Total dogs and cats annual census	÷ 113,210	÷ 417,486	÷ 417,486	
Cost per dog and cat per day	\$11.5721	\$2.9038	\$0.5332	
Number of dogs and cats	× 9,315	× 11,760	× 11,760	
Reimbursable days	× 2	× 3	× 3	
Total care and maintenance costs for dogs and cats	\$ 215,588	\$ 102,446	\$ 18,813	(94,329)
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ 70,259	\$ 1,257,067	\$ 230,816	
Percentage of other “eligible animals to total animals	× 100.00%	× 1.00%	× 1.00%	
Total care and maintenance costs for other “eligible” animals	\$ 70,259	\$ 12,571	\$ 2,308	
Total other “eligible” annual census	÷ 8,418	÷ 4,707	÷ 4,707	
Cost per “eligible” animal per day	\$8.3463	\$2.6707	\$0.4904	
Number of other “eligible” animals	× 453	× 24	× 24	
Reimbursable days	× 4	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	\$ 15,124	\$ 385	\$ 71	(14,668)
Total care and maintenance costs	\$ 230,712	\$ 102,831	\$ 18,884	\$ (108,997)

Schedule 2 (continued)

Category	Actual Costs Claimed	Allowable per Audit		Audit Adjust- ments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 2008, through June 30, 2009</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 1,606,331	\$ 1,835,656	\$ 83,758	
Percentage of dogs and cats to total animals	× 100.00%	× 97.91%	× 97.91%	
Total care and maintenance costs for dogs and cats	\$ 1,606,331	\$ 1,797,291	\$ 82,007	
Total dogs and cats annual census	÷ 305,416	÷ 385,775	÷ 385,775	
Cost per dog and cat per day	\$5.2595	\$4.6589	\$0.2126	
Number of dogs and cats	× 7,231	× 12,796	× 12,796	
Reimbursable days	× 2	× 3	× 3	
Total care and maintenance costs for dogs and cats	\$ 76,063	\$ 178,846	\$ 8,160	110,943
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ 70,599	\$ 1,835,656	\$ 83,758	
Percentage of other “eligible” animals to total animals	× 100.00%	× 0.78%	× 0.78%	
Total care and maintenance costs for other “eligible” animals	\$ 70,599	\$ 14,318	\$ 653	
Total other “eligible” annual census	÷ 3,294	÷ 2,852	÷ 2,852	
Cost per “eligible” animal per day	\$21.4326	\$5.0203	\$0.2291	
Number of other “eligible” animals	× 295	× 16	× 16	
Reimbursable days	× 4	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	\$ 25,290	\$ 482	\$ 22	(24,786)
Total care and maintenance costs	\$ 101,353	\$ 179,328	\$ 8,182	\$ 86,157
<u>Summary: July 1, 1998, through June 30, 2003 and July 1, 2005, through June 30, 2008</u>				
Care and maintenance of dogs and cats	\$ 1,073,155	\$ 721,992	\$ 101,360	\$ (249,803)
Care and maintenance of other “eligible” animals	160,791	2,704	394	(157,693)
Total care and maintenance costs	\$ 1,233,946	\$ 724,696	\$ 101,754	\$ (407,496)

Findings and Recommendations

FINDING 1— Unallowable training costs

The county claimed salaries and benefits totaling \$9,138 for training costs incurred during the audit period. We determined that \$7,654 is allowable and \$1,484 is unallowable. The unallowable costs occurred because the county claimed costs that are not reimbursable under the mandated program.

The following table summarizes the claimed, allowable and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1998-99	\$ 964	\$ 964	\$ —
2001-02	4,073	4,073	—
2002-03	4,101	2,617	(1,484)
Totals	<u>\$ 9,138</u>	<u>\$ 7,654</u>	<u>\$ (1,484)</u>

The county claimed \$8,174 in unallowable costs for three training sessions. In fiscal year (FY) 2001-02, the county claimed \$2,740 for providing a 2½-hour Chameleon training class called “Overview of Software” to 59 employees and \$1,333 for providing a 1½-hour Chameleon training class called “Input of Kennel Cards” to 48 employees. In FY 2002-03, the county claimed \$4,101 for 56 employees to attend a 2-hour Chameleon training class.

The parameters and guidelines (section IV.A.2—One Time Activities) identify the following reimbursable activity:

Train staff on the reimbursable activities listed in Section IV (B) of these parameters and guidelines. (One-time per employee)

The documentation provided by the county for the training that it conducted in FY 2002-03 disclosed that it included 38 county employees who attended similar training in FY 2001-02. Since the parameters and guidelines identify reimbursement for training as a one-time activity per employee, costs incurred totaling \$2,617 for training these 38 employees is unallowable.

Recommendation

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

Disagree. Chameleon© is the software application which controls, documents and audits animal impounds and field activities. This includes the animal description, circumstances under which the animal was impounded, taken up, or euthanized, the usernames of the personnel who took up, euthanized or impounded the animal, any owner, licensing or microchip information as well as the initial and follow-up medical treatment/care. It also documents the disposition of all animals and includes the names of the adopters, their addresses and phones numbers (Food & Ag. §32003), their other contact information, and the scanned images of their drivers licenses. Staff is trained on how to use the application to precisely document all mandated activities of those impounds which are ultimately euthanized or die during the increased holding period. Staff uses the application to link pictures of impounded strays and attaches these pictures to the animal record, kennel card and webpage to meet the lost and found requirements and enable owners to be reunited with their lost pets. Inventory reports extract the data necessary to provide the information on the daily population of impounded strays in each shelter for each day of the holding period. Computers were purchased and Chameleon © installed so that staff can document these mandated activities in a timely and efficient manner. Additionally, Internet Explorer and the World Wide Web provide staff with the ability to assist the public with the names, locations and contact information of other local shelters to facilitate lost and found reunification efforts.

SCO's Comment

We concur with the county's comments. As a result, allowable costs increased by \$6,690; from \$964 to \$7,654. However, we noted that training costs provided in FY 2002-03 involved 38 county employees that attended similar training in FY 2001-02. Since the parameters and guidelines identify training as a one-time activity per employee, allowable training costs for FY 2002-03 only include the employees that did not receive training in FY 2001-02. Accordingly, costs incurred totaling \$1,484 for the 38 employees that already received training are unallowable.

In addition, we added allowable salary and benefit costs totaling \$4,073 and \$2,617 into the calculation of indirect costs for FY 2001-02 and FY 2002-03 respectively as shown in Finding 9 (Misstated indirect costs).

**FINDING 2—
Misclassified computer
software costs**

The county claimed \$37,444 for computer software costs during the audit period. We determined that \$1,518 is allowable under this cost component and \$35,926 was reclassified under the Maintaining Non-Medical Records cost component (see Finding 6).

The following table summarizes the claimed, allowable and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
2000-01	\$ 448	\$ 448	\$ —
Materials and supplies:			
2001-02	36,996	1,070	(35,926)
Totals	<u>\$ 37,444</u>	<u>\$ 1,518</u>	<u>\$ (35,926)</u>

Misclassified Chameleon Fees

In FY 2001-02, the county purchased the Chameleon software system and claimed \$35,926 for the license, technical support, and software maintenance fee from HLP, Inc. The Chameleon program is used to record animal data and, therefore, should have been claimed under the Maintaining Non-Medical Records cost component as a contract service cost. (See Misclassified Computer Software Costs in Finding 6 for the adjustment reclassifying \$35,926 as an allowable contract service cost.)

Recommendation

We recommend that the county ensure that claimed costs are claimed in the correct reimbursable cost component.

County's Response

Agree. Chameleon© is the software application which controls, documents and audits animal impounds and field activities. This includes the animal description, circumstances under which the animal was impounded, taken up, or euthanized, the usernames of the personnel who took up, euthanized or impounded the animal, any owner, licensing or microchip information as well as the initial and follow-up medical treatment/care. It also documents the disposition of all animals and includes the names of the adopters, their addresses and phones numbers (Food & Ag. §32003), their other contact information, and the scanned images of their drivers licenses. Staff is trained on how to use the application to precisely document all mandated activities of those impounds which are ultimately euthanized or die during the increased holding period. Staff uses the application to link pictures of impounded strays and attaches these pictures to the animal record, kennel card and webpage to meet the lost and found requirements and enable owners to be reunited with their lost pets. Inventory reports extract the data necessary to provide the information on the daily population of impounded strays in each shelter for each day of the holding period. Computers were purchased and Chameleon © installed so that staff can document these mandated activities in a timely and efficient manner. Additionally, Internet Explorer and the World Wide Web provide staff with the ability to assist the public with the names, locations and contact information of other local shelters to facilitate lost and found reunification efforts.

**FINDING 3—
Unallowable remodeling/
renovating existing
facility cost**

The county claimed materials and supplies costs totaling \$72,624 in FY 2005-06 for the Remodeling/Renovating Existing Facilities cost component. We determined that none of the costs are allowable. The cost were unallowable because they were not incurred as a result of the mandated program.

Unallowable Costs

In FY 2005-06, the county incurred \$116,441 for installation of both a temporary and permanent air conditioning system. The county calculated a pro-rata percentage of 62.37% and claimed reimbursement of \$72,624 ($\$116,441 \times 62.37\%$).

We traced the claimed costs to several invoices and determined that the county was able to adequately support \$116,441; however, further review showed that the both air-conditioning systems were for the former Riverside Shelter located at 5950 Wilderness Avenue. In July 2008, the county began construction of a new shelter in Western Riverside at 6851 Van Buren Boulevard, but did not claim reimbursement for any construction costs. We informed the county that unless they provided a determination by the governing board that remodeling the facility was necessary to comply with the increased holding period, the entire \$72,624 would be unallowable.

Subsequently, the county provided the governing board approval of the new animal shelters in both Western Riverside and Blythe. We reviewed this material and discovered the following:

- New Western Riverside Shelter—The governing board approval does not state that the new shelter is necessary because the existing facilities do not reasonably accommodate the impounded stray or abandoned dogs, cats, and other animals to comply with the increased holding period. Specifically, it appears that the new shelter was built because the prior one was technically inadequate. There were plumbing, electrical, and heating/air conditioning issues, none of which relate to the mandated program.
- New Blythe Shelter—The governing board approval does not state that the new shelter is necessary because the existing facilities do not reasonably accommodate the impounded stray or abandoned dogs, cats, and other animals to comply with the increased holding period. Specifically, it appears that the new shelter was built because it would be in a more accessible and strategic location. This reason does not relate to the mandated program.

The additional documentation submitted by the county does not show that the costs incurred were a result of the increased holding period requirement imposed by the Hayden Bill. Therefore, the costs claimed are unallowable.

The parameters and guidelines (section IV.B.2–Remodeling/Renovating Existing Facilities) identify the following reimbursable activity:

Beginning January 1, 1999 – Remodeling/renovating existing facilities to provide appropriate or adequate shelter necessary to comply with the mandated activities during the increased holding period for impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that die during the increased holding period or are ultimately euthanized.

Eligible claimants are only entitled to reimbursement for the proportionate share of actual costs required to plan, design, remodel and/or renovate existing facilities in a given fiscal year based on the pro-rata representation of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that are held during the *increased* holding period specified in Sections IV (B) (3) and (4) of these Parameters and Guidelines and die during the increased holding period or are ultimately euthanized, to the total population of animals housed at the facility (including those animals that are excluded from reimbursement, as specified in Section IV (B) (3) and (4) of these Parameters and Guidelines) during the entire holding period required by Food and Agricultural Code sections 31108, 31752, and 3175.

Remodeling/renovating existing facilities is reimbursable only to the extent that an eligible claimant submits, with the initial and/or subsequent reimbursement claim, documentation reflecting the following:

A determination by the governing board or a delegated representative that the remodeling/renovating existing facilities is necessary because the existing facilities do not reasonably accommodate impounded stray or abandoned dogs, cats, and other specified animals that are ultimately euthanized for the increased holding period required by Statutes of 1998m Chapter 752. The determination by the governing board or delegate d representative shall include all of the following findings:

- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in 1998. For purposes of claiming reimbursement under section IV.B.2., the average Daily Census is defined as the average number of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 housed on any given day, in a 365-day period;
- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 in a given year under the holding periods required by Food and Agricultural Code sections 31108, 31752, and 31753, as added or amended by Statutes of 1998, Chapter 752;
- Existing facilities are not appropriately configured and/or equipped to comply with the increased holding period required by Statutes of 1998, Chapter 752;

- Contracting with existing private or public shelters in the area to house the increase of impounded stray or abandoned dogs, cats, or other animals specified in Statutes 1998, Chapter 752 is not feasible or is more expensive than remodeling/renovating existing facilities to comply with the increased holding period required by Statutes 1998, chapter 752.

Recommendation

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

Agree. Because formal documentation related to the need for facilities expansions and improvements did not specify the causal relationship between Hayden mandated activities and the need for expansion and improvement, the department is unable to provide the justification required by the State to support these claims.

**FINDING 4—
Overstated care and
maintenance costs**

The county claimed \$1,233,946 for care and maintenance costs. We determined that \$826,450 is allowable and \$407,496 is unallowable. The unallowable costs occurred because the county estimated salaries and benefits, claimed unallowable material and supply costs, could not support the material and supply costs claimed, incorrectly calculated the yearly census, incorrectly calculated the number of stray dogs and cats and other “eligible” animals that died during the increased holding period or were ultimately euthanized, and misstated the number of reimbursable days. The detailed care and maintenance formula calculations of claimed, allowable, and unallowable costs by fiscal year are presented in Schedule 2—Summary of Care and Maintenance Costs.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period separately for dogs and cats and other animals by fiscal year:

Fiscal Year	Amount Claimed			Amount Allowable			Audit Adjust- ment
	Dogs/Cats	Other Animals	Total Claimed	Dogs/Cats	Other Animals	Total Allowable	
1998-99	\$ —	\$ 7,497	\$ 7,497	\$ —	\$ 350	\$ 350	\$ (7,147)
1999-2000	72,984	6,560	79,544	77,661	341	78,002	(1,542)
2000-01	73,042	9,131	82,173	81,047	355	81,402	(771)
2001-02	75,797	6,143	81,940	83,540	366	83,906	1,966
2002-03	235,856	24,054	259,910	109,722	262	109,984	(149,926)
2005-06	182,305	49,978	232,283	65,165	222	65,387	(166,896)
2006-07	141,520	17,014	158,534	97,952	242	98,194	(60,340)
2007-08	215,588	15,124	230,712	121,259	456	121,715	(108,997)
2008-09	76,063	25,290	101,353	187,006	504	187,510	86,157
Total	<u>\$1,073,155</u>	<u>\$ 160,791</u>	<u>\$1,233,946</u>	<u>\$ 823,352</u>	<u>\$ 3,098</u>	<u>\$ 826,450</u>	<u>\$(407,496)</u>

The parameters and guidelines (section IV.B.3.—Care and Maintenance for Impounded Stray or Abandoned Dogs and Cats that Die During the Increased Holding Period or are Ultimately Euthanized) identify the following reimbursable activities:

Beginning July 1, 1999—Providing the care and maintenance during the increased holding period for impounded stray or abandoned dogs and cats that die during the increased holding period or are ultimately euthanized. The increased holding period shall be measured by calculating the difference between the days from the day of capture and four or six business days from the day after impoundment.

The parameters and guidelines (section IV.B.4.—Care and Maintenance for Impounded Stray or Abandoned Animals Specified in Food and Agriculture Code Section 31753 that Die During the Increased Holding Period or are Ultimately Euthanized) also state:

Beginning January 1, 1999—For providing care and maintenance for . . . stray or abandoned rabbits, guinea pigs, hamsters, pot-bellied pigs, birds, lizards, snakes, turtles, and tortoises legally allowed as personal property that die during the increased holding period or are ultimately euthanized.

The parameters and guidelines for both Care and Maintenance for Impounded Stray or Abandoned Dogs and Cats the Die During the Increased Holding Period or are Ultimately Euthanized (section IV.B.3.) and Care and Maintenance for Impounded Stray or Abandoned Animals Specified in Food and Agricultural Section 31753 that Die During the Increased Holding Period or are Ultimately Euthanized (section IV.B.4.) state the following:

Exclusions

Eligible claimants are not entitled to reimbursement for the care and maintenance of the following population of dogs and cats and other animals:

- Stray or abandoned dogs, cats and other animals that are irremediably suffering from a serious illness or severe injury,
- Newborn stray or abandoned dogs, cats, and other animals that need maternal care and have been impounded without their mothers,
- Stray or abandoned dogs, cats and other animals too severely injured to move or where a veterinarian is not available and it would be more humane to dispose of the animal,
- Owner relinquished dogs, cats and other animals, and
- Stray or abandoned dogs, cats and other animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

Methods for Claiming Costs

Eligible claimants may elect one of the following two methods (Actual Cost Method or Time Study Method) to claim costs for the care and maintenance of impounded stray or abandoned dogs, cats, and other animals that die during the increased holding period or are ultimately euthanized. The county elected to use the Actual Cost Method to claim these costs.

Under the Actual Cost Method, actual reimbursable care and maintenance costs per animal per day are computed for an annual claim period, as follows:

- a. Determine the total annual cost of care and maintenance for all dogs, cats, and other animals impounded at a facility. Total cost of care and maintenance includes labor, materials, supplies, indirect costs, and contract services.
- b. Determine the average daily census of all dogs, cats and other animals. For purposes of claiming reimbursement under IV.B.3, average daily census is defined as the average number of all dogs and cats at a facility housed on any given day, in 365-day period and the average number of all other animals at a facility housed on any given day, in a 365-day period.
- c. Multiply the average daily census of dogs, cats and other animals by 365 = yearly census of dogs and cats and the yearly census of other animals.
- d. Divide the total annual cost of care by the yearly census of dogs and cats to calculate the cost per dog and cat per day and yearly census of other animals to calculate the cost per other animal per day.

- e. Multiply the cost per animal per day, by the number of impounded stray or abandoned dogs, cats and other animals that die during the increased holding period or are ultimately euthanized by each reimbursable day. The reimbursable day for cats and dogs is the difference between three days from the day of capture, and four or six business days from the day after impoundment. The reimbursable days for other animals are four or six business days from the day after of impoundment.

Care and Maintenance Formula

The county elected to use the Actual Cost Method to claim costs; the parameters and guidelines provide for a formula-driven methodology to determine allowable mandated costs for the care and maintenance of dogs, cats, and other animals. Using this method requires a claimant to calculate the total amount of eligible costs incurred to provide care and maintenance for the animals housed at its shelter. This total is divided by the annual census of animals housed in the shelter to determine a cost per animal per day. The next element of the formula is adding the number of stray or abandoned animals that died of natural causes during the holding period by those animals that were euthanized after the required holding period. This total number of animals is then multiplied by the cost per animal per day. The resulting amount represents allowable costs for providing care and maintenance.

The mandated program provides reimbursement for the costs associated with animals that were not relinquished, redeemed, adopted, or released to a non-profit agency and animals for which the local agency was unable to assess fees to recover such costs. During the course of the audit, we made adjustments to salaries and benefits, materials and supplies, and related indirect cost amounts incurred by the county. As a result, the cost per animal per day was also adjusted. We also made adjustments to the animal data that was used to claim costs.

The county claimed reimbursement using the Actual Cost Method, which consists of the following five calculations:

1. Total care and maintenance salary and benefit costs;
2. Total care and maintenance materials and supplies costs;
3. Yearly census of dogs and cats and other “eligible” animals;
4. Stray dogs, cats, and other “eligible” animals that died during the increased holding period or were ultimately euthanized; and
5. Reimbursable days.

Audit Adjustments

1. The county's claims included \$4,973,007 incurred for salary and benefit costs during the audit period for the care and maintenance of animals impounded at the county's animal shelters. However, we determined that the salary and benefit costs claimed were based on estimates. For FY 1998-99 through FY 2002-03, the county estimated that the Supervising Animal Control Officers and Kennel Attendants spent five hours per day performing care and maintenance activities. For FY 2005-06 through FY 2008-09, the county increased the estimate to six hours per day.

We requested that the county provide actual salary and benefit amounts paid to the employees that perform care and maintenance activities. The Auditor-Controller's Office provided payroll reports for FY 2005-06 through FY 2008-09 applicable for the employee classifications of Animal Adoption Counselor, Animal Control Officer, and Animal Care Technician. The county had previously provided job descriptions for these employee classifications that identified the percentage of time that would be spent on care and maintenance activities. Therefore, we applied the applicable percentages to the actual salary and benefit information provided and determined that salary and benefit costs totaling \$4,870,022 was incurred for the period of FY 2005-06 through FY 2008-09.

The county had previously converted the software system used for its employee payroll in FY 2005-06. Therefore, the Auditor-Controller's Office was unable to provide any payroll reports prior to that fiscal year. In order to determine amounts that the county incurred for salaries and benefits for FY 1998-99 through FY 2002-03, we applied the Implicit Price Deflator to actual salary and benefit amounts incurred for FY 2005-06. Using this methodology, we determined that the county incurred salaries and benefits costs totaling \$3,291,003 for FY 1998-99 through FY 2002-03. These amounts were then inserted into the care and maintenance formula for each fiscal year of the audit period to calculate allowable costs (See Schedule 2—Summary of Care and Maintenance Costs).

The following table summarizes the claimed, allowable, and audit adjustment amounts for care and maintenance salaries and benefits by fiscal year:

Fiscal Year	Amount Claimed			Amount Allowable	Audit Adjustment
	Dogs/Cats	Other Animals	Total Claimed		
1998-99	\$ —	\$ 51,732	\$ 51,732	\$ 613,104	\$ 561,372
1999-2000	483,585	21,201	504,786	634,924	130,138
2000-01	496,417	30,006	526,423	662,607	136,184
2001-02	512,543	42,157	554,700	682,989	128,289
2002-03	521,394	42,886	564,280	697,379	133,099
2005-06	585,865	80,420	666,285	803,338	137,053
2006-07	729,456	37,989	767,445	973,961	206,516
2007-08	625,045	33,521	658,566	1,257,067	598,501
2008-09	650,213	28,577	678,790	1,835,656	1,156,866
Total	\$ 4,604,518	\$ 368,489	\$ 4,973,007	\$ 8,161,025	\$ 3,188,018

2. The county determined that it incurred material and supply costs totaling \$3,553,603 during the audit period for the care and maintenance of animals impounded at its animal shelters. We determined that \$1,174,746 is allowable and \$2,378,857 is unallowable. The unallowable costs occurred because the county claimed unallowable material and supply costs totaling \$1,714,031, and could not support material and supply costs totaling \$664,826.

Unallowable Materials and Supplies Costs

The county claimed \$1,714,031 for unallowable material and supply costs during the audit period, as follows:

Description	Amount Claimed	Amount Allowable	Audit Adjustment
Rents/leases	\$ 468,872	\$ —	\$ (468,872)
Utilities	1,245,159	—	(1,245,159)
Total	<u>\$ 1,714,031</u>	<u>\$ —</u>	<u>\$ (1,714,031)</u>

The parameters and guidelines state that care and maintenance costs include labor, materials, supplies, indirect costs, and contract services. Building rent and utilities are overhead costs that are not included in the annual care and maintenance actual cost formula.

Unsupported Material and Supply Costs

The county identified \$1,839,572 in materials and supplies costs, during the audit period. We determined that \$1,174,746 is allowable and \$664,826 is unallowable. The costs were unallowable because they were unsupported.

The following table summarizes the claimed, allowable, and audit adjustment amounts:

Description	Amount Claimed	Amount Allowable	Audit Adjustment
Animal feed	\$ 388,819	\$ 628,555	\$ 239,736
Kennel supplies	148,212	451,552	303,340
Janitorial cleaning supplies	196,055	94,639	(101,416)
Laundry services	7,238	—	(7,238)
Shelter contracts:			
Ramona Humane Society	727,327	—	(727,327)
Animal Friends of the Valley	355,581	—	(355,581)
Banning	16,340	—	(16,340)
Total	<u>\$ 1,839,572</u>	<u>\$1,174,746</u>	<u>\$ (664,826)</u>

3. The county estimated the yearly census for dogs, cats, and other “eligible” animals. The county estimated that animals were impounded for an average of four days at its animal shelter. Therefore, to calculate the yearly census, the county multiplied the total animals impounded by four.

To calculate the yearly census, we used data from the county’s Chameleon database and added the number of days held for every animal impounded for each fiscal year.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the animal census information by fiscal year:

Fiscal Year	Yearly Census Claimed	Yearly Census Allowable			Audit Adjustment
		Dogs/Cats	Other Animals	Total	
1998-99	14,235	—	825	825	(13,410)
1999-2000	97,455	163,379	1,649	165,028	67,573
2000-01	105,850	163,379	1,649	165,028	59,178
2001-02	104,755	163,379	1,649	165,028	60,273
2002-03	98,185	142,252	1,217	143,469	45,284
2005-06	87,600	245,486	19,178	264,664	177,064
2006-07	128,115	321,220	3,927	325,147	197,032
2007-08	121,628	417,486	4,707	422,193	300,565
2008-09	308,710	385,775	2,852	388,627	79,917

The county was not able to provide animal data for FY 1998-99 through FY 2001-02. Therefore, we calculated an average of census information for FY 2002-03 through FY 2004-05 and used the result as the yearly census for FY 1998-99 through FY 2001-02.

4. The county incorrectly calculated the number of stray dogs and cats that died during the increased holding period or were ultimately euthanized.

For FY 1998-99 through FY 2006-07, the county claimed reimbursement using the euthanasia rate. For example, the euthanasia death rate for FY 2005-06 was 48%. The county claimed reimbursement of 7,499 animals, which is the total eligible animal population, multiplied by 48% ($15,623 \times 48\%$). This methodology is incorrect because it does not comply with the criteria for reimbursement outlined in the parameters and guidelines. Eligible animals are those that “died during the holding period” plus those that were “ultimately euthanized.”

For FY 2007-08, the county excluded animals that originated within the City of Riverside, the City of San Jacinto, and the City of Banning. The county excluded these animals because all three cities were filing their own Animal Adoption mandate claims. This methodology is also incorrect because Riverside County is responsible for caring and maintaining all animals regardless of their impound location. Instead, the county should be claiming reimbursement for 100% of care and maintenance costs it incurred for eligible animals. Then, the county should be reporting offsetting revenues to the extent that mandated care and maintenance activities were funded by contract revenues received from its contracting cities.

During audit fieldwork, the county provided us with an Excel spreadsheet that listed all the animals impounded at the shelter for FY 2002-03 through FY 2008-09. We ran a query of all animals that fit the following reimbursement criteria:

Dogs and Cats

- Died during the increased holding period: Died day 4, 5, and 6.
- Ultimately euthanized: Euthanized day 7 and greater.

Eligible “Other” Animals

- Died during the increased holding period: Died day 2, 3, 4, 5, and 6 (animals that died on day 1 were not included because they were, most likely, irremediably suffering from a serious illness or injury or were too severely injured to move and it may have been more humane to dispose of the animal; it should be noted that excluding animals that died on day 1 is not a factor with Riverside County because there were no eligible animals that died on day 1).
- Ultimately euthanized: Day 7 and greater.

The following table summarizes the claimed, allowable, and unallowable populations of eligible animals for the audit period by fiscal year:

Fiscal Year	Animal Population Claimed			Animal Population Allowable			Audit Adjustment
	Dogs/Cats	Other Animals	Total Claimed	Dogs/Cats	Other Animals	Total Allowable	
1998-99	—	453	453	—	8	8	(445)
1999-2000	6,062	267	6,329	5,922	15	5,937	(392)
2000-01	6,492	392	6,884	5,922	15	5,937	(947)
2001-02	6,296	515	6,811	5,922	15	5,937	(874)
2002-03	15,810	1,097	16,907	6,573	10	6,583	(10,324)
2005-06	6,594	905	7,499	6,086	17	6,103	(1,396)
2006-07	5,594	326	5,875	9,010	11	9,021	3,146
2007-08	9,315	453	9,768	11,760	24	11,784	2,016
2008-09	7,231	295	7,526	12,796	16	12,812	5,286
Total	63,349	4,703	68,052	63,991	131	64,122	(3,930)

The county was not able to provide animal data for FY 1998-99 through FY 2001-02. Therefore, we calculated the average of eligible animals for FY 2002-03 through FY 2004-05 as used the result as the number of eligible animals for FY 1998-99 through FY 2001-02.

Recommendation

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County’s Response

Disagree. The County provided additional supporting information in mid-May, 2011 related to Hayden mandated activity to support these claims.

SCO's Comment

The county disagreed with the finding amount because it submitted additional supporting documentation subsequent to the issuance of the May 13, 2011 draft report.

We concur that the county provided invoices supporting additional materials and supplies costs totaling \$537,157. We updated the costs within the care and maintenance formulas for all years of the audit period and determined that an additional \$45,442 is allowable (\$45,228 for dogs and cats and \$214 for other animals).

Just prior to the issuance of this final audit report, the county submitted contract services invoices for care and maintenance costs that it incurred for animals housed at the Ramona Humane Society during the audit period. The amount of information that the county provided for review is extensive. In the process of reviewing these invoices, we noted some issues concerning animal census data that need to be resolved. We spoke with Animal Shelter representatives and they will be contacting the animal shelter in Ramona in an effort to obtain additional information. However, we are unable to resolve these issues and issue our audit report within the deadline prescribed by Government Code section 17558.5, subdivision (a). Accordingly, we will continue working on the issues concerning these costs and modify the final audit report as appropriate.

**FINDING 5—
Overstated lost and
found list costs**

The county claimed salaries and benefits totaling \$132,892 for the Lost and Found Lists cost component for the audit period. We initially determined that all of the salaries and benefits were unallowable because they were estimated. However, the county performed a time study and, based on the time study results, we determined that \$25,223 is allowable.

The following table summarizes the claimed, allowable and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1998-99	\$ 2,361	\$ 1,174	\$ (1,187)
1999-2000	12,125	2,396	(9,729)
2000-01	12,571	2,484	(10,087)
2001-02	12,854	2,529	(10,325)
2002-03	5,763	2,773	(2,990)
2005-06	2,796	3,282	486
2006-07	81,947	3,514	(78,433)
2007-08	—	3,469	3,469
2008-09	2,475	3,602	1,127
Totals	<u>\$ 132,892</u>	<u>\$ 25,223</u>	<u>\$ (107,669)</u>

The parameters and guidelines (section IV.B.7—Lost and Found Lists) identify the following reimbursable activities:

Beginning January 1, 1999 – Providing owners of lost animals and those who find lost animals with all of the following:

- Ability to list the animals they have lost or found on “lost and found” lists maintained by the local agency;
- Referrals to animals listed that may be the animals the owner or finders have lost or found;
- The telephone number and addresses of other pounds and shelters in the same vicinity;
- Advice as a means of publishing and disseminating information regarding lost animals; and
- The telephone numbers and addresses of volunteer groups that may be of assistance in locating lost animals.

Estimated Salaries and Benefits

The county estimated costs for FY 1998-99 through FY 2006-07. The county claimed reimbursement for FY 2008-09 based on 8.95 minutes spent per day per the results of its time study.

The following table summarizes the claimed rates for the audit period:

<u>Fiscal Year</u>	<u>Rate</u>
1998-99	30 minutes/day
1999-2000	30 minutes/day
2000-01	30 minutes/day
2001-02	30 minutes/day
2002-03	30 minutes/day
2005-06	10 minutes/day
2006-07	8 hours/day
2007-08	—
2008-09	8.95 minutes/day

The county performed a one-month time study from September 16, 2009, to October 16, 2009; the study included the following four lost and found activities:

- Task #1: Time it takes to receive lost/found reports via telephone or over the counter and enter them into Chameleon. Time it takes to print lost and found lists and refer to RCDAS.org website for lost and found list.
- Task #2: Providing the public with telephone numbers and addresses of volunteer groups that may be of assistance in locating lost/found animals.
- Task #3: Updating and providing the number and addresses of pounds or shelters in the vicinity in paper form or through the Web site at the counter and by telephone.
- Task #4: Providing advice as to means of publishing and disseminating information regarding lost or found animals by telephone or at the front counter.

The time study results revealed that the county spent 510 minutes on lost and found activities for 57 animals. The shelter determined that this is an average of 8 minutes and 57 seconds per day (8.95 minutes). However, the county's average-per-day calculation is incorrect because the time study occurred over 30 days, not 57 (57 is the merely the number of times an employee recorded the lost and found time spent on the activity log). In addition, we reviewed the activity sheets prepared during the time study and noted the following calculation errors:

- Week #4 activities were not included on the summarized schedule.
- Activities performed by two employees during week #3 were not included on the summarized schedule.

Therefore, we added in the activities that were not included on the summary schedule, recalculated the rates and determined that the county actually spent 789 total minutes (from September 16, 2009, through October 16, 2009) performing lost and found activities. This equals 26.3 minutes per day or 157.80 hours per year ($789 \times 12 \div 60$).

The 157.8 hours were broken down between two employee classifications as follows:

- Office Assistant II—126.0 hours per year
- Office Assistant III—31.8 hours per year

We applied the time-study results to each fiscal year in the audit period and determined that \$25,223 is reimbursable.

Additional Comment—City of Riverside Proportionate Share

The county excluded the proportionate share of its costs incurred by the City of Riverside. For example, the county estimated that the Riverside Shelter spent 2,496 hours performing lost and found activities during FY 2006-07 (8 hours per day \times 6 days the shelter is open each week \times 52 weeks per year). However, the county only claimed reimbursement for 1,347.84 hours ($2,496 \times 54\%$) because 46% of costs incurred by the Riverside Shelter are reimbursed by the City of Riverside.

This methodology is incorrect because Riverside County is responsible for all lost and found activities. Therefore, 100% of the costs incurred by Riverside County should be claimed as a direct cost on its mandate claims and the proportionate share paid by the City of Riverside should be identified as offsetting revenues on the county's claims.

Recommendation

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county agrees with findings and recommendations

**FINDING 6—
Overstated costs for
maintaining non-medical
record costs**

The county claimed costs totaling \$983,794 for maintaining non-medical records during the audit period. We determined that \$984,142 is allowable and allowable costs were understated by \$348. We initially determined that all the salaries and benefits were unallowable because they were estimated; however, the county performed a time study that determined that \$879,029 is allowable. In addition, we determined that the county misclassified computer software costs (+ \$35,926) that were incorrectly excluded as the City of Riverside's percentage (+ \$29,950), and claimed eligible Chameleon training (\$6,567) as travel and training costs instead of as salaries and benefits costs.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1998-99	\$ 33,451	\$ 25,079	\$ (8,372)
1999-2000	60,189	53,479	(6,710)
2000-01	67,448	55,794	(11,654)
2001-02	67,406	55,911	(11,495)
2002-03	65,491	62,248	(3,243)
2005-06	65,099	103,202	38,103
2006-07	91,455	138,673	47,218
2007-08	95,232	189,351	94,119
2008-09	398,786	201,859	(196,927)
Subtotal	944,557	885,596	(58,961)
Materials and supplies:			
1999-2000	688	—	(688)
Contract services:			
1999-2000	—	1,528	1,528
2001-02	—	35,926	35,926
2005-06	6,768	14,400	7,632
2006-07	8,379	15,516	7,137
2007-08	8,379	15,516	7,137
2008-09	8,456	15,660	7,204
Subtotal	31,982	98,546	66,564
Travel and training:			
2007-08	6,567	—	(6,567)
Totals	\$ 983,794	\$ 984,142	\$ 348

The parameters and guidelines (section IV.B.8—Maintaining Non-Medical Records) identify the following reimbursable activities:

Beginning January 1, 1999—Maintaining non-medical records on animals that are either taken up, euthanized after the holding period, or impounded. Such records shall include the following:

- The date the animal was taken up, euthanized, or impounded;
- The circumstances under which the animal is taken up, euthanized, or impounded;
- The names of the personnel who took up, euthanized, or impounded the animal; and

- The final disposition of the animal, including the name of the person who euthanized the animal or the name and address of the adopting party.

Estimated Salaries and Benefits

For FY 1998-99 through FY 2007-08, the county claimed costs based on an estimate of 10 minutes per animal to enter all non-medical information into either the Paradox program or the Chameleon program.

In FY 2008-09, the county performed a time study and determined that it spent 27 minutes, 1 second per non-medical record. The county time-studied two activities: creating an impound record and recording the disposition of the animal. The time study began on September 1, 2009, and continued until November 3, 2009. The county calculated the time study results and determined that it spent an average of 11 minutes, 58 seconds (11.98 minutes) creating an animal impound record and 15 minutes, 3 seconds (15.05 minutes) recording the final disposition of the animal for a total time of 27 minutes, 1 second (27.01 minutes) per record.

We reviewed the time study results and noted 17 entries that recorded excessive time spent processing non-medical record information. For example, one time study entry showed that an Animal Adoption Counselor spent 5 hours and 28 minutes recording an animal impound. When these 17 entries were excluded, we determined that the county spent 2,799 total minutes entering data for 413 animal records, an average of almost 7 minutes per record.

After we applied this rate to the employee classifications that participated in the time study, allowable costs totaled \$879,029.

Misclassified Computer Software Costs

As noted in Finding 2, the county purchased the Chameleon software system in FY 2001-02 and claimed \$35,926 for the license, technical support, and the software maintenance fee from HLP, Inc. The Chameleon program is used to record animal data and, therefore, should have been claimed under the Maintaining Non-Medical Records cost component under contract services.

Incorrect Exclusion of the City of Riverside's Proportionate Share of Paradox and Chameleon Costs

For FY 1999-2000, FY 2005-06, FY 2006-07, FY 2007-08, and FY 2008-09, the county incurred \$104,367 in maintenance fees for the Chameleon and Paradox software programs. When calculating the claimed costs, the county excluded both the non-mandate portion (40%) and the proportionate share paid by the City of Riverside. The county should not have excluded the City of Riverside's proportionate share because the county's contract with the city consists of shelter services and field services, not Chameleon or Paradox software costs. Therefore, the county should have claimed reimbursement for the mandate-related cost of \$62,620 ($\$104,367 \times 60\%$).

The following table summarizes the claimed, allowable, and audit adjustment amounts for materials and supplies and contract services by fiscal year:

Fiscal Year	Description	Amount Claimed					Amount Allowable as Contract Services	Audit Adjustment	
		Total Cost	Mandate Percent-age	Mandated Costs	Costs Incurred by City of Riverside	Amount Claimed			
Materials and supplies:									
1999-2000	Paradox fee	\$ 2,547	60%	\$ 1,528	55%	\$ 840	\$ 688	\$ 1,528	\$ 840
Contract services									
2005-06	Chameleon fee	24,000	60%	14,400	53%	7,632	6,768	14,400	7,632
2006-07	Chameleon fee	25,860	60%	15,516	46%	7,137	8,379	15,516	7,137
2007-08	Chameleon fee	25,860	60%	15,516	46%	7,137	8,379	15,516	7,137
2008-09	Chameleon fee	26,100	60%	15,660	46%	7,204	8,456	15,660	7,204
Subtotal		101,820		61,092		29,110	31,982	61,092	29,110
Total		\$ 104,367		\$ 62,620		\$ 29,950	\$ 32,670	\$ 62,620	\$ 29,950

The mandate-related portion of Chameleon software costs for FY 2000-01 and FY 2002-03 will be reimbursable if the county is able to provide invoices to support costs incurred.

Ineligible Chameleon Training

In FY 2007-08, the county claimed reimbursement of \$6,567 for Animal Shelter staff to receive training on how to enter non-medical record information using the Chameleon software system. The county incorrectly claimed these costs. We reclassified these costs as allowable salaries and benefits costs for FY 2007-08.

Recommendation

We recommend that the county ensure that claimed costs include only eligible costs that are properly calculated and claimed in the correct reimbursable component.

County's Response

The County disagrees with the finding. Chameleon© is the software application which controls, documents and audits animal impounds and field activities. This includes the animal description, circumstances under which the animal was impounded, taken up, or euthanized, the usernames of the personnel who took up, euthanized or impounded the animal, any owner, licensing or microchip information as well as the initial and follow-up medical treatment/care. It also documents the disposition of all animals and includes the names of the adopters, their addresses and phones numbers (Food & Ag. §32003), their other contact information, and the scanned images of their drivers licenses. Staff is trained on how to use the application to precisely document all mandated activities of those impounds which are ultimately euthanized or die during the increased holding period. Staff uses the application to link pictures of impounded strays and attaches these pictures to the animal record, kennel card and webpage to meet the lost and found requirements and enable owners to be reunited with their lost pets. Inventory reports extract the data necessary to provide the information on the daily population of impounded strays in each shelter for each day of the holding period. Computers were purchased and

Chameleon © installed so that staff can document these mandated activities in a timely and efficient manner. Additionally, Internet Explorer and the World Wide Web provide staff with the ability to assist the public with the names, locations and contact information of other local shelters to facilitate lost and found reunification efforts.

SCO's Comment

We concur with the county's comments. As noted in the audit report, the training costs were misclassified as travel and training costs. Accordingly, the first table presented in this finding shows that costs claimed totaling \$6,567 are unallowable as travel and training costs and allowable as salaries and benefits costs for FY 2007-08. Based on the county's response to the draft audit finding, we increased allowable salary and benefit costs totaling \$6,567 for FY 2007-08 in this finding and related indirect costs in Finding 9 (Misstated indirect costs).

**FINDING 7—
Overstated necessary
and prompt veterinary
care costs**

The county claimed \$1,240,452 for necessary and prompt veterinary care for the audit period. We determined that \$287,383 is allowable and \$953,069 is unallowable. We initially determined that all of the salaries and benefits were unallowable because they were estimated; however, the county performed a time study and, based on the time study results, we determined that \$77,488 is allowable. In addition, we determined that the county underclaimed material and supply costs by \$197,773.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1998-99	\$ —	\$ 2,180	\$ 2,180
1999-2000	—	4,748	4,748
2000-01	—	4,946	4,946
2001-02	—	5,167	5,167
2002-03	—	6,578	6,578
2005-06	421,649	7,719	(413,930)
2006-07	469,781	11,734	(458,047)
2007-08	309,820	16,232	(293,588)
2008-09	27,080	18,184	(8,896)
Subtotal	1,228,330	77,488	(1,150,842)
Materials and supplies:			
1998-99	1,073	9,394	8,321
1999-2000	1,874	18,788	16,914
2000-01	1,567	18,788	17,221
2001-02	1,701	18,788	17,087
2002-03	5,907	20,624	14,717
2005-06	—	6,924	6,924
2006-07	—	24,996	24,996
2007-08	—	42,796	42,796
2008-09	—	48,797	48,797
Subtotal	12,122	209,895	197,773
Totals	\$ 1,240,452	\$ 287,383	\$ (953,069)

The parameters and guidelines (section IV.B.9–Necessary and Prompt Veterinary Care) identify the following reimbursable activities:

Beginning January 1, 1999 – Providing “necessary and prompt veterinary care” for stray and abandoned animals, other than injured cats and dogs given emergency treatment, that die during the holding period or are ultimately euthanized, during the holding periods specified in Statutes of 1998, Chapter 752.

“Necessary and prompt veterinary care” means all reasonably necessary medical procedures performed by a veterinarian or someone under the supervision of a veterinarian to make stray or abandoned animals “adoptable.” The following veterinary procedures, if conducted, are eligible for reimbursement:

- An initial physical examination of the animal to determine the animal’s baseline health status and classification as “adoptable,” “treatable,” or “non-rehabilitatable.”
- A wellness vaccine administered to “treatable” or “adoptable” animals.

- Veterinary care to stabilize and or relieve the suffering of a “treatable” animal.
- Veterinary care intended to remedy any applicable disease, injury, or congenital or hereditary condition that adversely affects the health of a “treatable” animal or that is likely to adversely affect the animal’s health in the future, until the animal becomes “adoptable.”

Population Exclusions

Eligible claimants are not entitled to reimbursement for providing “necessary and prompt veterinary care” to the following population of animals:

- Animals that are irremediably suffering from a serious illness or severe injury,
- Newborn animals that need maternal care and have been impounded without their mothers,
- Animals too severely injured to move or where a veterinarian is not available and it would be more humane to dispose of the animal,
- Owner relinquished animals, and
- Stray or abandoned animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

Veterinary Care Exclusions

Eligible claimants are *not* entitled to reimbursement for providing the following veterinary procedures:

- Emergency treatment given to injured cats and dogs;
- Administration of rabies vaccination to dogs;
- Implantation of microchip identification;
- Spay or neuter surgery and treatment;
- Euthanasia.

Estimated Salaries and Benefits

The county did not claim reimbursement under this cost component for FY 1998-99 through FY 2002-03. The county claimed \$1,228,330 in salary and benefit costs for FY 2005-06 through FY 2008-09. The county estimated costs for FY 2005-06 through FY 2007-08 by claiming three hours per day for the entire veterinary staff. This estimate is incorrect because it is based on an estimate of time spent performing mandated activities and does not specify that the costs were incurred for the eligible animal population.

The county performed its first time study from January 6-8, 2009, at its Riverside, Blythe, and Coachella animal shelters. Over these three days, the county time-studied 54 animals that received physical exams and wellness vaccines. The county calculated the results of the time study and determined that it spent 2 minutes, 59 seconds (or 2.98 minutes) per animal.

For the FY 2008-09 claim, the county multiplied 2.98 minutes by the total number of animals that died or were euthanized.

We reviewed the time study results and determined that the county should have claimed 2 minutes, 49 seconds (or 2.82 minutes) per animal, and that 74.07% of the physical exams and vaccination treatments were performed by Registered Veterinary Technicians and 25.93% were performed by Veterinary Technicians.

The parameters and guidelines specifically state that reimbursement is limited to “stray and abandoned animals . . . that die during the holding period or are ultimately euthanized.” As noted in Finding 4, we determined the average holding period to be six days; therefore, reimbursement is limited to the following population of animals:

- Animals that died during the holding period: Died on days 2, 3, 4, 5 or 6
- Animals that were ultimately euthanized: Euthanized on day 7+ (7, 8, 9, 10, 11, 12, etc.)

We filtered the animal data provided by the county for FY 2002-03 through FY 2008-09 using these criteria for eligible animals and determined that the following numbers of animals are reimbursable:

<u>Fiscal Year</u>	<u>Died During Holding Period (days 2 through 6)</u>	<u>Ultimately Euthanized (day 7+)</u>	<u>Total</u>
1998-99	10.5	2,962.0	2,972.5
1999-2000	21.0	5,924.0	5,945.0
2000-01	21.0	5,924.0	5,945.0
2001-02	21.0	5,924.0	5,945.0
2002-03	19.0	6,572.0	6,591.0
2005-06	43.0	6,083.0	6,126.0
2006-07	81.0	8,983.0	9,064.0
2007-08	155.0		11,883.0
2008-09	106.0		12,868.0
Totals	<u>477.5</u>	<u>66,862.0</u>	<u>67,339.5</u>

The county was not able to provide animal data for FY 1998-99 through FY 2001-02; therefore, we calculated an average of eligible animals for FY 2002-03 through FY 2004-05 and used the result to determine the eligible number of animals for FY 1998-99 through FY 2001-02.

Based on the time study results, we determined that \$87,538 is allowable. However, the county subsequently stated that the January 6-8, 2009 time study was incorrect because the Chief Veterinarian, Veterinary Surgeons, and Supervising RVTs also perform mandated veterinarian activities and were not involved in the time study. We informed the county that it could perform a second time study and then share the results with us. Subsequently, the county provided us with a Chameleon report for the period of June 1-30, 2010, that reported the county’s time spent on the following two activities:

- Initial physical exam and administration of wellness vaccines, and
- Veterinary treatment to relieve the suffering of a “treatable” animal.

We reviewed the time study results and determined that the county spent 77,453 seconds performing initial physical exams and administering wellness vaccines for 696 animals, which is an average of 1.85 minutes per animal ($77,453 \div 696 \div 60$). In addition, the county spent 12,690 seconds providing veterinary treatment to 298 of those 696 animals (or 42.82%), which is an average of 0.71 minutes per animal ($12,690 \div 298 \div 60$).

We applied the time study results for the initial physical exam and administration of vaccines to all eligible animals (as identified in the table above) and determined that \$59,169 is allowable. In addition, we applied the time study results for the veterinary treatment to 42.82% of eligible animals, and determined that \$18,319 is allowable, for a total of \$77,488 ($\$59,169 + \$18,319$).

We recognize that the second time study results in fewer allowable costs than the first time study; however, we consider the second time study to be more appropriate for the following reasons:

- It occurs over a 30-day time period (instead of three days);
- Uses actual time amounts extracted from Chameleon;
- Includes the all-veterinarian staff that performed the mandated activities (including the Chief Veterinarian, Veterinary Surgeons, and Supervising RVTs); and
- Includes veterinary treatment to relieve the suffering of a “treatable” animal.

Understated Wellness Vaccine Costs

The county claimed \$12,122 in materials and supplies costs for FY 1998-99 through FY 2002-03. The county provided only a listing of the total costs. The listing appears to accurately identify the medical costs for each euthanized animal; however, further review indicated that for FY 1999-00, FY 2000-01, and FY 2001-02, the county either estimated a rate of \$14.58 per animal or determined total medical costs to be \$14.58 per animal or applied this rate to all euthanized animals. However, the costs are unallowable because the listing does not address the following requirements for reimbursement:

- The type of animal (stray, adopted, etc.) that received the treatment;
- The specific activity performed (spay/neuter, wellness vaccine, physical exam, etc.); or
- Identify how the medical costs were calculated.

Subsequently, the county provided invoices for MWI Veterinary Supply for FY 2005-06 through FY 2008-09. We reviewed these invoices and identified the types of vaccines and the amount of reimbursable costs. We applied these vaccination costs by the applicable percentage of dogs and cats that died during the holding period or were ultimately euthanized to total dogs and cats and determined that \$123,513 is allowable.

The following table summarizes our calculations of allowable materials and supplies costs by fiscal year:

<u>Fiscal Year</u>	<u>Total Yearly Vaccine Cost</u>	<u>Eligible Dogs/Cats</u>	<u>Total Dogs/Cats</u>	<u>Eligible Percentage</u>	<u>Amount Allowable</u>
2005-06	\$ 21,697	\$ 6,109	\$ 19,144	31.91%	\$ 6,924
2006-07	68,992	9,053	24,987	36.23%	24,996
2007-08	111,536	11,859	30,903	38.37%	42,796
2008-09	120,605	12,852	31,766	40.46%	48,797
Total	<u>\$ 322,830</u>	<u>\$ 39,873</u>	<u>\$ 106,800</u>		<u>\$ 123,513</u>

In order to determine allowable costs for the earlier years of the audit period, we used added total vaccine costs for FY 2005-06 (\$21,697) and FY 2006-07 (\$68,992) to determine an average yearly cost of \$45,345. We then applied this amount to the eligible population of dogs and cats to determine additional allowable costs of \$86,382, as noted in the table below:

<u>Fiscal Year</u>	<u>Average Vaccine Cost</u>	<u>Eligible Dogs/Cats</u>	<u>Total Dogs/Cats</u>	<u>Eligible Percentage</u>	<u>Amount Allowable</u>
1998-99	\$ 22,673	\$ 5,929	\$ 14,309	41.435%	\$ 9,394
1999-2000	45,345	5,929	14,309	41.435%	18,788
2000-01	45,345	5,929	14,309	41.435%	18,788
2001-02	45,345	5,929	14,309	41.435%	18,788
2002-03	45,345	6,581	14,470	45.480%	20,624
Total	<u>\$ 204,053</u>	<u>\$ 30,297</u>	<u>\$ 71,706</u>		<u>\$ 86,382</u>

For FY 1998-99, reimbursement begins on January 1, 1999. Therefore, we only used one-half of the average yearly vaccine cost ($\$22,673 = \$45,345 \div 2$) for that year. In addition, as the county was not able to provide animal data for FY 1998-99 through FY 2001-02, we used the average of FY 2002-03 through FY 2004-05 to determine the number of eligible number of dogs and cats to use for FY 1998-99 through FY 2001-02.

If the county is able to provide wellness vaccine invoices to support actual costs incurred for FY 1998-99 through FY 2002-03, we will revise the audit results as appropriate.

Recommendation

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

Agree. The county agrees with findings and recommendations.

**FINDING 8—
Understated procuring
equipment costs**

The county claimed \$79,160 for procuring equipment costs during the audit period. We determined that the net amount of \$126,800 is allowable (understated by \$64,508 and overstated by \$16,868). The understatement occurred because the county improperly excluded the City of Riverside's proportionate share (\$64,508) from its costs incurred. The overstatement occurred because the county claimed unsupported costs (\$13,491) and misclassified costs (\$3,377).

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
2005-06	\$ 32	\$ 32	\$ —
2006-07	248	248	—
Subtotal	280	280	—
Materials and supplies:			
1998-99	2,580	5,609	3,029
1999-2000	6,943	15,430	8,487
2000-01	10,135	21,563	11,428
2001-02	5,544	10,870	5,326
2002-03	—	3,485	3,485
2005-06	—	36,160	36,160
2006-07	—	33,403	33,403
Subtotal	25,202	126,520	101,318
Fixed assets:			
2002-03	1,777	—	(1,777)
2005-06	20,373	—	(20,373)
2006-07	31,528	—	(31,528)
Subtotal	53,678	—	(53,678)
Totals	\$ 79,160	\$ 126,800	\$ 47,640

The parameters and guidelines (section IV.B.10–Procuring Equipment) identify the following reimbursable activity:

Beginning January 1, 1999 – Procuring medical, kennel, and computer equipment necessary to comply with the reimbursable activities listed in the parameters and guidelines, to the extent these costs are not claimed by as indirect cost. If the medical, kennel, and computer equipment is utilized in some way not directly related to the mandated program or the eligible population of animals, only the pro-rata portion of the activity that is use for the purposes of the mandated program is reimbursable.

Unsupported Costs

In FY 2006-07, the county identified \$60,293 for the purchase of computers, monitors, and printers. However, the county provided invoices supporting only \$19,106, leaving \$41,187 unsupported. In addition, the county identified \$49,355 for the purchase of an x-ray workstation. The county provided an invoice to support \$48,755, leaving \$600 unsupported. Therefore, claimed costs of \$13,491 are unsupported.

The following table summarizes the calculation of unallowable claimed costs:

Description	Amount Claimed					Amount Allowable	Audit Adjust-ment
	Total Cost	Mandate Percent-age	Mandated Costs	Costs Incurred by City of Riverside	Amount Claimed		
FY 2006-07:							
Computers, monitors, printers	\$ 41,187	60%	\$ 24,712	46% \$ 11,367	\$ 13,345	\$ —	\$(13,345)
X-ray workstation repair	600	45%	270	46% 124	146	—	(146)
Total	<u>\$ 41,787</u>		<u>\$ 24,982</u>	<u>\$ 11,491</u>	<u>\$ 13,491</u>	<u>\$ —</u>	<u>\$(13,491)</u>

If the county is able to provide additional support for its purchases, we will revise the audit results accordingly.

Misclassified Costs

In FY 2005-06, the county incurred costs for kennel equipment and a scale totaling \$7,186 and claimed \$3,378 after backing out \$3,808 as the City of Riverside's portion. We reclassified these costs to the Care and Maintenance cost component.

City of Riverside's Proportionate Share

For FY 1998-99 through FY 2006-07, the county purchased computers, monitors, printers, printer cables, a network server, and additional memory. The county excluded both the non-mandate portion and the proportionate share paid by the City of Riverside.

We determined that the county should not have excluded the City of Riverside's proportionate share because the county's contract with the city consists only of shelter services (animal care technicians, veterinary technicians, RVTs, office assistants, adoption counselors, and volunteer coordinators) and field services (Animal Control Officers and Sergeants). We reviewed the county's monthly billings to the city and confirmed that it does not include charges for equipment costs. Therefore, the county should have claimed reimbursement for 100% of its mandated costs incurred and not offset its costs for the City of Riverside's proportionate share.

Allowable Materials and Supplies Costs

The county's claims during the audit period identified materials and supplies costs totaling \$88,519 and fixed asset costs totaling \$182,909. Both amounts were incurred for equipment-related purchases. After allocating these costs by the applicable mandate-related percentage and by a proportionate share for the City of Riverside, the county claimed \$78,880 for these costs.

As noted above, the county was unable to provide support for equipment purchases totaling \$41,787 and kennel equipment purchases totaling \$7,186 were reclassified to the care and maintenance cost component. We analyzed all of the remaining equipment purchases, totaling \$222,455, as materials and supplies costs and determined that \$126,520 is allowable.

The following table summarizes the claimed, allowable, and audit adjustment amounts for materials and supplies costs by fiscal year:

Fiscal Year	Description	Amount Claimed						Amount Allowable as Materials and Supplies	Audit Adjustment
		Total Supported Cost	Mandate Percent-age	Mandated Costs	Costs Incurred by City of Riverside		Amount Claimed		
Materials and supplies:									
1998-99	Netserver, monitors	\$ 9,349	60%	\$ 5,609	54%	\$ 3,029	\$ 2,580	\$ 5,609	\$ 3,029
1999-2000	Computers, monitors	25,716	60%	15,430	55%	8,487	6,943	15,430	8,487
2000-01	Computers, monitors	35,939	60%	21,563	53%	11,428	10,135	21,563	11,428
2001-02	Computers, monitors	16,612	60%	9,967	49%	4,884	5,083	9,967	4,884
2001-02	Camera, battery pack	903	100%	903	49%	442	461	903	442
Subtotal		88,519		53,472		28,270	25,202	53,472	28,270
Fixed assets:									
2002-03	Computers, monitors, printers	5,808	60%	3,485	49%	1,708	1,777	3,485	1,708
2005-06	Computers, monitors, printers	60,267	60%	36,160	53%	19,165	16,995	36,160	19,165
2006-07	Computers, monitors, printers	19,106	60%	11,463	46%	5,273	6,190	11,463	5,273
2006-07	X-ray workstation	48,755	45%	21,940	46%	10,092	11,848	21,940	10,092
Subtotal		133,936		73,048		36,238	36,810	73,048	36,238
Total		\$ 222,455		\$ 126,520		\$ 64,508	\$ 62,012	\$ 126,520	\$ 64,508

Recommendation

We recommend that the county claim reimbursement for eligible costs that are properly supported, and claimed in the correct reimbursable cost component.

County's Response

Agree. The county agrees with findings and recommendations.

**FINDING 9—
Misstated indirect costs**

The county claimed \$1,460,896 in indirect costs for the audit period. We determined that \$1,097,231 is allowable and \$363,665 is unallowable. The unallowable costs occurred as a result of unallowable salaries and benefits identified in Findings 1, 5, 6, and 7 (\$318,796) and because the county overstated the indirect cost rate for FY 2007-08 and FY 2008-09 (\$44,869).

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Indirect costs:			
1998-99	\$ 12,168	\$ 10,463	\$ (1,705)
1999-2000	42,738	65,640	22,902
2000-01	50,093	73,558	23,465
2001-02	63,264	93,230	29,966
2002-03	43,878	81,332	37,454
2005-06	236,485	99,803	(136,682)
2006-07	399,536	171,518	(228,018)
2007-08	269,137	197,513	(71,624)
2008-09	343,597	304,174	(39,423)
Totals	<u>\$ 1,460,896</u>	<u>\$ 1,097,231</u>	<u>\$ (363,665)</u>

Unallowable Indirect Costs Related to Unallowable Salaries and Benefits

As a result of the unallowable salaries and benefits identified in Findings 1, 5, 6, and 7, related indirect costs totaling \$318,796 are also unallowable.

Overstated Indirect Cost Rates

The county overstated the indirect cost rate FY 2007-08 and FY 2008-09, which resulted in an overstatement of \$44,869:

	<u>Claimed Indirect Cost Rates</u>	<u>Allowable Indirect Cost Rates</u>	<u>Difference</u>	<u>Allowable Salaries</u>	<u>Audit Adjustment</u>
2007-08	79.97%	72.14%	(7.83)%	\$ 273,791	\$ (21,438)
2008-09	98.85%	91.78%	(7.07)%	331,416	(23,431)
Total				<u>\$ 605,207</u>	<u>\$ (44,869)</u>

For FY 1998-99 through FY 2006-07, the county classified janitorial services as a direct cost. However, for FY 2007-08 and FY 2008-09, the county classified janitorial services as an indirect cost. In addition, we noted that costs for institutional clothing and protective gear were classified as indirect costs for all years of the audit period. We reclassified janitorial services as direct costs for FY 2007-08 and FY 2008-09 and reclassified institutional clothing and protective gear as direct costs for all years of the audit period. We recalculated the indirect cost rates and determined that changes to rates prior to FY 2007-08 were immaterial.

An indirect cost is a cost incurred for a common or joint purpose that benefits more than one program and is not directly assignable to a particular program.

The parameters and guidelines (section V.B.–Indirect Costs) states the following:

Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives.

If the county can demonstrate that amounts incurred for clothing and protective gear and janitorial services were indirect costs, then we will revise the audit results as appropriate.

Recommendation

We recommend that the county ensure that the indirect cost rates are properly calculated.

County's Response

County agrees with findings and recommendation.

SCO's Comment

The county agreed with the finding and recommendation. However, because of changes to allowable salaries and benefits costs in Finding 1 (Unallowable training costs) and Finding 6 (Overstated costs for maintaining non-medical records), allowable indirect costs increased by \$6,760; from \$1,090,471 to \$1,097,231.

**FINDING 10—
Misstated offsetting
revenues**

The county offset \$383,513 on its mandated cost claim for FY 2008-09. We determined that the county should have offset \$842,507 on its mandated cost claims for the entire audit period (offsets were understated by \$681,750 and overstated by \$222,756). The difference occurred because the county abated expenditures incurred by the City of Riverside against county costs incurred and claimed the balance on its mandated cost claims. In addition, the county miscalculated offsetting revenues for FY 2008-09.

The following table summarizes audit adjustment for offsetting revenues by fiscal year:

<u>Fiscal Year</u>	<u>Amount Offset</u>	<u>Amount That Should Have Been Offset</u>	<u>Audit Adjustment</u>
Indirect costs:			
1998-99	\$ —	\$ (19,805)	\$ (19,805)
1999-2000	—	(83,086)	(83,086)
2000-01	—	(86,553)	(86,553)
2001-02	—	(86,926)	(86,926)
2002-03	—	(104,900)	(104,900)
2005-06	—	(88,213)	(88,213)
2006-07	—	(92,836)	(92,836)
2007-08	—	(119,431)	(119,431)
2008-09	(383,513)	(160,757)	222,756
Totals	<u>\$ (383,513)</u>	<u>\$ (842,507)</u>	<u>\$ (458,994)</u>

The parameters and guidelines (section VII—Offsetting Savings and Other Reimbursements) state the following:

Any offsetting savings that the claimant experiences as a direct result of this mandate must be deducted from the costs claimed. Additionally, reimbursement for this mandate received from any source shall be identified and deducted from this claim.

FY 2008-09 Offsetting Revenues

For FY 2008-09, the county offset \$383,513 on its Animal Adoption claim, which accounts for the proportionate share of mandated costs for the following 13 contracting cities:

Banning	Beaumont
Blythe	Calimesa
Cathedral City	Coachella
Desert Hot Springs	Hemet
Indian Wells	La Quinta
Palm Desert	Rancho Mirage
San Jacinto	

The county did not include the City of Riverside's proportionate share into the FY 2008-09 offsetting revenue calculations because the county claimed only a portion of its direct costs on the mandate, leaving the difference for the City of Riverside to claim. We have stated that this methodology is incorrect within Findings 5, 6, and 8.

To calculate the offset amount of \$383,513, the county allocated the amount that it incurred for each reimbursable component of the mandated program by the percentage of animals from each city that were present in the overall population of animals impounded at the county's animal shelters. While the county's methodology to offset these costs is reasonable, the amount was overstated by \$366,577 because only two of the 13 contracting cities, the City of Hemet and the City of San Jacinto, filed an Animal Adoption claim with the State for FY 2008-09. We determined that the applicable offset for FY 2008-09 relative to the 13 contracting cities identified above was \$16,936, which is the applicable portion of the county's costs that were funded by the City of Hemet for services provided under the Non-Medical Records cost component.

When we reviewed the claims filed by these two cities for FY 2008-09, we discovered that costs claimed by the City of San Jacinto were entirely for services provided by the Ramona Humane Society. The costs claimed by the City of Hemet were also primarily for services provided by the Ramona Humane Society, except for the cost component of Non-Medical Records (the only mandated activity provided by Riverside County for the city).

In addition, the county's calculation of offsetting revenues for FY 2008-09 did not include an amount for its contract with the City of Riverside. We determined that the offset applicable for FY 2008-09 for mandated services provided to the city was \$143,821, as noted below. Therefore, the total allowable offset amount was determined to be \$160,757 for FY 2008-09.

Calculation of Offsetting Revenues for the City of Riverside

For the audit period, the City of Riverside filed Animal Adoption claims with the State totaling \$2,510,016. However, the City of Riverside does not operate an animal shelter and contracts with Riverside County to provide animal services. Per the terms of the contract, Riverside County provides field services and shelter services for the city. In turn, the county bills the City of Riverside each month for these services. We determined that the city's contract revenues funded mandate-related activities performed by the county totaling \$825,571 during the audit period.

For the shelter services, the county determines total monthly Riverside shelter costs and bills the city for its proportionate percentage. The monthly shelter costs consist of salaries and benefits for shelter staff (e.g., Animal Care Technicians and Office Assistants), veterinary staff (e.g., Veterinary Technicians and Registered Veterinary Technicians), and field staff (e.g., Animal Control Officers and Sergeants). The proportionate percentage is based on the number of impounded "city" animals in July of each fiscal year to the total number of animals housed at the county's Riverside shelter. Because the county specifically identifies "City of Riverside" animals within its animal database, the county is able to bill the City of Riverside a percentage of shelter costs, versus a fixed rate.

We believe that some of the revenue received by the county from the city was for mandate-related purposes. Therefore, for each reimbursable component with allowable costs on the county's claim, we determined a corresponding offset using the City of Riverside's animal population.

The following table summarizes the offset by fiscal year and reimbursable component:

Fiscal Year	Increased Holding Period	Care and Maintenance	Feral Cats	Maintaining Non-Medical Records	Lost and Found Lists	Necessary and Prompt Veterinary Care		Total
						Initial Exam and Wellness Vaccine	Relieve Suffering of Animal	
1998-99	\$ (5,108)	\$ (306)	\$ (282)		\$ (158)	\$ (814)	\$ (307)	\$ (19,805)
1999-2000	(13,033)	(39,362)	(568)	(27,354)	(329)	(1,773)	(667)	(83,086)
2000-01	(13,360)	(41,077)	(698)	(28,539)	(325)	(1,835)	(719)	(86,553)
2001-02	(12,209)	(42,342)	(804)	(28,599)	(307)	(1,921)	(744)	(86,926)
2002-03	(12,415)	(55,287)	(1,014)	(32,428)	(346)	(2,414)	(996)	(104,900)
2005-06	(16,480)	(25,003)	(1,655)	(41,613)	(430)	(2,140)	(892)	(88,213)
2006-07	(18,127)	(27,995)	(614)	(42,216)	(413)	(2,398)	(1,073)	(92,836)
2007-08	(25,660)	(35,070)	—	(53,412)	(403)	(3,279)	(1,607)	(119,431)
2008-09	(21,143)	(55,880)	—	(60,661)	(424)	(3,764)	(1,949)	(143,821)
Total	<u>\$ (137,535)</u>	<u>\$ (322,322)</u>	<u>\$ (5,635)</u>	<u>\$ (327,652)</u>	<u>\$ (3,135)</u>	<u>\$ (20,338)</u>	<u>\$ (8,954)</u>	<u>\$ (825,571)</u>

Offsets for the following cost components were not included because the City of Riverside does not pay any portion of these costs:

- Procuring Equipment
- Computer Software
- Chameleon Fees
- Wellness Vaccines

In addition, the \$825,571 offset on Riverside County's Animal Adoption claims will be the same amount that will be allowable for the City of Riverside's Animal Adoption claim as a contract service cost.

Following is an explanation of how we determined the applicable offset amounts for each cost component identified in the table above.

Increased Holding Period Costs

Riverside County claimed \$453,074 for the increased holding period requirement, of which \$280,863 was specifically for keeping the Riverside Shelter open to the public for the increased holding period. We applied the City of Riverside's proportionate share and determined that \$137,535 should have been offset on Riverside County's Animal Adoption claims for the audit period.

The following table summarizes the calculation of the total offset amount by fiscal year:

<u>Fiscal Year</u>	<u>Riverside Shelter Costs</u>	<u>City of Riverside Percentage Allocation</u>	<u>Amount Offset</u>
1998-99	\$ 9,459	54%	\$ (5,108)
1999-2000	23,697	55%	(13,033)
2000-01	25,208	53%	(13,360)
2001-02	24,917	49%	(12,209)
2002-03	25,337	49%	(12,415)
2005-06	31,095	53%	(16,480)
2006-07	39,406	46%	(18,127)
2007-08	55,782	46%	(25,660)
2008-09	45,962	46%	(21,143)
Totals	<u>\$ 280,863</u>		<u>\$ (137,535)</u>

Care and Maintenance Costs

We applied Riverside County's cost per animal per day (as shown on Schedule 2) by the number of eligible "city" animals that died during the increased holding period or were ultimately euthanized by the number of reimbursable days, and determined that \$322,322 should have been offset on Riverside County's Animal Adoption claims for the audit period.

The following table summarizes the calculation of the total offset amount by fiscal year:

<u>Care and Maintenance of Dogs/Cats</u>				
<u>Fiscal Year</u>	<u>Riverside County's Cost Per Dog/Cat Per Day</u>	<u>Number of Eligible "City" Dogs/Cats</u>	<u>Number of Reimbursable Days</u>	<u>Amount Offset</u>
1999-2000	\$ 4.3714	2,979	3	\$ (39,067)
2000-01	4.5619	2,979	3	(40,770)
2001-02	4.7023	2,979	3	(42,025)
2002-03	5.5643	3,301	3	(55,103)
2005-06	3.5691	2,323	3	(24,873)
2006-07	3.6238	2,563	3	(27,863)
2007-08	3.4370	3,381	3	(34,861)
2008-09	4.8715	3,815	3	(55,754)
Subtotal				<u>(320,316)</u>
<u>Care and Maintenance of Other "Eligible" Animals</u>				
<u>Fiscal Year</u>	<u>Riverside County's Cost Per Other Animal Per Day</u>	<u>Number of Eligible "City" Other Animals</u>	<u>Number of Reimbursable Days</u>	<u>Amount Offset</u>
1998-99	\$ 7.2943	7	6	(306)
1999-2000	3.7793	13	6	(295)
2000-01	3.9440	13	6	(307)
2001-02	4.0654	13	6	(317)
2002-03	4.3673	7	6	(184)
2005-06	2.1718	10	6	(130)
2006-07	3.6686	6	6	(132)
2007-08	3.1610	11	6	(209)
2008-09	5.2495	4	6	(126)
Subtotal				<u>(2,006)</u>
Total offset				<u>\$ (322,322)</u>

The county did not provide the “City of Riverside” animal data for FY 1998-99 through FY 2001-02. Therefore, we calculated an average of census information for FY 2002-03 through FY 2004-05 and used the result as the yearly census for FY 1998-99 through FY 2001-02.

Feral Cat Tests

Riverside County claimed \$11,040 for performing feral cat testing for FY 1998-99 through FY 2006-07. We applied the City of Riverside’s proportionate share to determine that \$5,635 should have been offset on Riverside County’s Animal Adoption claims for the audit period.

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>City of Riverside Percentage Allocation</u>	<u>Amount Offset</u>
1998-99	\$ 523	54%	\$ (282)
1999-2000	1,032	55%	(568)
2000-01	1,317	53%	(698)
2001-02	1,640	49%	(804)
2002-03	2,070	49%	(1,014)
2005-06	3,123	53%	(1,655)
2006-07	1,335	46%	(614)
2007-08	—	46%	—
2008-09	—	46%	—
Totals	<u>\$ 11,040</u>		<u>\$ (5,635)</u>

Maintaining Non-Medical Record Costs

The county performed a one-month time study from September 1 through November 3, 2009, to determine the amount of time spent entering non-medical record information into the county’s animal database system. The time study showed that the county spent 2,799 minutes entering data into 413 records, which is nearly seven minutes per record. We applied the time-study rate by the number of non-medical records the county recorded for the “city” animals, and determined that \$327,652 should have been offset on Riverside County’s Animal Adoption claim for the audit period.

Lost and Found List Costs

The county performed a one-month time study, from September 16, 2009, through October 16, 2009, to determine the amount of time spent performing lost and found list activities. The time study included county participation of county staff at three animal shelters: Riverside, Blythe, and Coachella. We reviewed the time study and determined that county staff spent a total of 157.80 hours per year performing lost and found activities.

<u>Shelter</u>	<u>Hours per Year</u>
Riverside	41.2
Coachella	108.6
Blythe	8.0
	<u>157.8</u>

We also noted from the time study that 100% of the activities time-studied by the Riverside Shelter staff were performed by an Office Assistant II. Therefore, we applied the City of Riverside's proportionate share to the total Riverside Shelter cost to determine that \$3,135 should have been offset on Riverside County's Animal Adoption claim for the audit period:

Fiscal Year	Total Hours	Office Assistant II PHR	Benefit Rate	Riverside Shelter Costs	City of Riverside Percentage Allocation	Amount Offset
1998-99	20.6	\$11.10	27.62%	\$ 292	54%	\$ (158)
1999-2000	41.2	11.37	27.62%	598	55%	(329)
2000-01	41.2	11.68	27.62%	614	53%	(325)
2001-02	41.2	11.80	28.80%	626	49%	(307)
2002-03	41.2	12.70	35.10%	707	49%	(346)
2005-06	41.2	12.96	52.07%	812	53%	(430)
2006-07	41.2	14.50	50.19%	897	46%	(413)
2007-08	41.2	14.32	48.59%	877	46%	(403)
2008-09	41.2	14.95	49.50%	921	46%	(424)
Total				<u>\$ 6,344</u>		<u>\$ (3,135)</u>

Necessary and Prompt Veterinary Care Costs

The county performed a one-month time study from June 1, 2010, through June 30, 2010, to determine the time required to perform reimbursable activities under the Necessary and Prompt Veterinary Care cost component. The time study included the activities of conducting the initial physical exam, administering wellness vaccines, and veterinary treatment to relieve the suffering of a "treatable" animal.

The time study was performed by county staff from the Riverside and Coachella shelters. The time study recorded time spent on 696 animals for the initial exam and wellness vaccines and time spent on 298 animals for veterinary treatment to relieve the suffering of a "treatable" animal. The time study results for the Riverside shelter were separated from the overall time study results in order to provide additional information for the calculation of time spent on City of Riverside animals in order to determine offsetting revenues.

The table below documents the time study results for the two county shelters as a whole and separately for the Riverside shelter:

Activity	County-Wide			Riverside Shelter		
	Total Animals Included in Time Study	Total Number of Seconds	Average Minutes Per Animal	Total Animals Included in Time Study	Total Number of Seconds	Average Minutes Per Animal
Initial exam and wellness vaccine	696	77,453	1.85	455	46,651	1.71
Veterinary care to relieve suffering	298	12,690	0.71	195	10,324	0.88

Therefore, for each activity, we calculated a rate for the Riverside shelter and multiplied it by the number of eligible “city” animals that died during the holding period or were ultimately euthanized. In total, we determined that \$29,292 should have been offset on Riverside County’s Animal Adoption claims for the audit period (\$20,338 for the initial exam and wellness vaccines, and \$8,954 for veterinary treatment to relieve the suffering of a “treatable” animal).

Recommendation

We recommend that the county offset all revenue received from the contracting cities for mandated activities on its Animal Adoption Mandated cost claims.

County’s Response

Agree. The county agrees with findings and recommendations.

SCO’s Comment

The county agreed with the finding and recommendation. However, because of changes to allowable costs for care and maintenance, as noted in Finding 4 (Overstated care and maintenance costs) of this audit report, offsetting revenue amounts for the audit period applicable to the county’s contract with the City of Riverside increased by \$21,891; to \$825,571 from \$803,680. The changes occurred primarily because of increases to the cost of care per animal per day. These costs increased after we applied additional materials and supplies costs to the county’s care and maintenance formulas based on additional supporting documentation that the county provided subsequent to the issuance of the draft audit report.

**Attachment—
County's Response to Draft Audit Report**



Department of Animal Services
Robert Miller, Director

June 1, 2011

The Honorable Jim Spano
Chief
Mandated Costs Audit Bureau
State Controller's Office - Division of Audits
PO Box 942850
Sacramento CA 94250-5874

Dear Mr. Spano:

The following is the County of Riverside Department of Animal Services (the county) response to the Audit findings and recommendations dated May 13, 2011.

FINDING 1 – Unallowable training costs.

The county claimed salaries and benefits totaling \$9,138 for training costs incurred during the audit period. We determined that \$964 is allowable and \$8,174 is unallowable. The unallowable costs occurred because the county claimed costs that are not reimbursable under the mandated program.

The following table summarizes the claimed, allowable and unallowable costs for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1998-99	\$ 964	\$ 964	\$ —
2001-02	4,073	—	(4,073)
2002-03	4,101	—	(4,101)
Totals	\$ 9,138	\$ 964	\$ (8,174)

The county claimed \$8,174 in unallowable costs for three training sessions. In fiscal year (FY) 2001-02, the county claimed \$2,740 for providing a 2½-hour Chameleon training class called —Overview of Software to 59 employees and \$1,333 for providing a 1½-hour Chameleon training class called —Input of Kennel Cards to 48 employees. In FY 2002-03, the county claimed \$4,101 for 56 employees to attend a 2-hour Chameleon training class.

The parameters and guidelines (section IV.A.2—One Time Activities) identify the following reimbursable activity:

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Department of Animal Services
Robert Miller, Director

Train staff on the reimbursable activities listed in Section IV (B) of these parameters and guidelines. (One-time per employee)

The county's purchase of the Chameleon software database system for use in its animal shelters was a discretionary purchase that was not required by the mandated program. Therefore, training employees on the use of this software is not a reimbursable activity.

The mandated program provides reimbursement only for training employees on the requirements of the Hayden Bill. If the county can subsequently provide support documenting that a portion of its training classes was used for this purpose, we will revise the audit results as appropriate.

Recommendation:

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

DAS Response:

Disagree. Chameleon© is the software application which controls, documents and audits animal impounds and field activities. This includes the animal description, circumstances under which the animal was impounded, taken up, or euthanized, the usernames of the personnel who took up, euthanized or impounded the animal, any owner, licensing or microchip information as well as the initial and follow-up medical treatment/care. It also documents the disposition of all animals and includes the names of the adopters, their addresses and phone numbers (Food & Ag. §32003), their other contact information, and the scanned images of their drivers licenses. Staff is trained on how to use the application to precisely document all mandated activities of those impounds which are ultimately euthanized or die during the increased holding period. Staff uses the application to link pictures of impounded strays and attaches these pictures to the animal record, kennel card and webpage to meet the lost and found requirements and enable owners to be reunited with their lost pets. Inventory reports extract the data necessary to provide the information on the daily population of impounded strays in each shelter for each day of the holding period. Computers were purchased and Chameleon © installed so that staff can document these mandated activities in a timely and efficient manner. Additionally, Internet Explorer and the World Wide Web provide staff with the ability to assist the public with the names, locations and contact information of other local shelters to facilitate lost and found reunification efforts.

Finding 2 – Misclassified computer software costs.

The county claimed \$37,444 for computer software costs during the audit period. We determined that \$1,518 is allowable under this cost component and \$35,926 was reclassified under the Maintaining Non-Medical Records cost component (see Finding 6).

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Robert Miller, Director

Misclassified Chameleon Fees

In FY 2001-02, the county purchased the Chameleon software system and claimed \$35,926 for the license, technical support, and software maintenance fee from HLP, Inc. The Chameleon program is used to record animal data and, therefore, should have been claimed under the Maintaining Non-Medical Records cost component as a contract service cost. (See Misclassified Computer Software Costs in Finding 6 for the adjustment reclassifying \$35,926 as an allowable contract service cost.)

Recommendation:

We recommend that the county ensure that claimed costs are claimed in the correct reimbursable cost component.

DAS response:

Agree. Chameleon© is the software application which controls, documents and audits animal impounds and field activities. This includes the animal description, circumstances under which the animal was impounded, taken up, or euthanized, the usernames of the personnel who took up, euthanized or impounded the animal, any owner, licensing or microchip information as well as the initial and follow-up medical treatment/care. It also documents the disposition of all animals and includes the names of the adopters, their addresses and phone numbers (Food & Ag. §32003), their other contact information, and the scanned images of their drivers licenses. Staff is trained on how to use the application to precisely document all mandated activities of those impounds which are ultimately euthanized or die during the increased holding period. Staff uses the application to link pictures of impounded strays and attaches these pictures to the animal record, kennel card and webpage to meet the lost and found requirements and enable owners to be reunited with their lost pets. Inventory reports extract the data necessary to provide the information on the daily population of impounded strays in each shelter for each day of the holding period. Computers were purchased and Chameleon © installed so that staff can document these mandated activities in a timely and efficient manner. Additionally, Internet Explorer and the World Wide Web provide staff with the ability to assist the public with the names, locations and contact information of other local shelters to facilitate lost and found reunification efforts.

Finding 3 – Unallowable remodeling/renovating existing facility cost.

The county claimed materials and supplies costs totaling \$72,624 in FY 2005-06 for the Remodeling/Renovating Existing Facilities cost component. We determined that none of the costs are allowable. The cost were unallowable because they were not incurred as a result of the mandated program.

Unallowable Costs

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Department of Animal Services
Robert Miller, Director

In FY 2005-06, the county incurred \$116,441 for installation of both a temporary and permanent air conditioning system. The county calculated a pro-rata percentage of 62.37% and claimed reimbursement of \$72,624 ($\$116,441 \times 62.37\%$).

We traced the claimed costs to several invoices and determined that the county was able to adequately support \$116,441; however, further review showed that the both air-conditioning systems were for the former Riverside Shelter located at 5950 Wilderness Avenue. In July 2008, the county began construction of a new shelter in Western Riverside at 6851 Van Buren Boulevard, but did not claim reimbursement for any construction costs. We informed the county that unless they provided a determination by the governing board that remodeling the facility was necessary to comply with the increased holding period, the entire \$72,624 would be unallowable.

Subsequently, the county provided the governing board approval of the new animal shelters in both Western Riverside and Blythe. We reviewed this material and discovered the following:

- **New Western Riverside Shelter**—The governing board approval does not state that the new shelter is necessary because the existing facilities do not reasonably accommodate the impounded stray or abandoned dogs, cats, and other animals to comply with the increased holding period. Specifically, it appears that the new shelter was built because the prior one was technically inadequate. There were plumbing, electrical, and heating/air conditioning issues, none of which relate to the mandated program.
- **New Blythe Shelter**—The governing board approval does not state that the new shelter is necessary because the existing facilities do not reasonably accommodate the impounded stray or abandoned dogs, cats, and other animals to comply with the increased holding period. Specifically, it appears that the new shelter was built because it would be in a more accessible and strategic location. This reason does not relate to the mandated program.

The additional documentation submitted by the county does not show that the costs incurred were a result of the increased holding period requirement imposed by the Hayden Bill. Therefore, the costs claimed are unallowable.

Recommendation:

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

DAS response:

Agree. Because formal documentation related to the need for facilities expansions and improvements

did not specify the causal relationship between Hayden mandated activities and the need for expansion and improvement, the department is unable to provide the justification required by the State to support these claims.

Finding 4 – Overstated care and maintenance costs.

The county claimed \$1,233,946 for care and maintenance costs. We determined that \$781,008 is allowable and \$452,938 is unallowable. The unallowable costs occurred because the county estimated salaries and benefits, claimed unallowable material and supply costs, could not support the material and supply costs claimed, incorrectly calculated the yearly census, incorrectly calculated the number of stray dogs and cats and other —eligible animals that died during the increased holding period or were ultimately euthanized, and misstated the number of reimbursable days. The detailed care and maintenance formula calculations of claimed, allowable, and unallowable costs by fiscal year are presented in Schedule 2—Summary of Care and Maintenance Costs.

The parameters and guidelines (section IV.B.3.—Care and Maintenance for Impounded Stray or Abandoned Dogs and Cats that Die During the Increased Holding Period or are Ultimately Euthanized) identify the following reimbursable activities:

Beginning July 1, 1999—Providing the care and maintenance during the increased holding period for impounded stray or abandoned dogs and cats that die during the increased holding period or are ultimately euthanized. The increased holding period shall be measured by calculating the difference between the days from the day of capture and four or six business days from the day after impoundment.

The parameters and guidelines (section IV.B.4.—Care and Maintenance for Impounded Stray or Abandoned Animals Specified in Food and Agriculture Code Section 31753 that Die During the Increased Holding Period or are Ultimately Euthanized) also state:

Beginning January 1, 1999—For providing care and maintenance for . . . stray or abandoned rabbits, guinea pigs, hamsters, pot-bellied pigs, birds, lizards, snakes, turtles, and tortoises legally allowed as personal property that die during the increased holding period or are ultimately euthanized.

See Audit Report dated May 13, 2011, pages 19 – 25

Recommendation:

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.



Department of Animal Services
Robert Miller, Director

DAS response:

Disagree. The County provided additional supporting information in mid-May, 2011 related to Hayden mandated activity to support these claims.

Finding 5 – Overstated lost and found list costs.

The county claimed salaries and benefits totaling \$132,892 for the Lost and Found Lists cost component for the audit period. We initially determined that all of the salaries and benefits were unallowable because they were estimated. However, the county performed a time study and, based on the time study results, we determined that \$25,223 is allowable.

Additional Comment—City of Riverside Proportionate Share

The county excluded the proportionate share of its costs incurred by the City of Riverside. For example, the county estimated that the Riverside Shelter spent 2,496 hours performing lost and found activities during FY 2006-07 (8 hours per day × 6 days the shelter is open each week × 52 weeks per year). However, the county only claimed reimbursement for 1,347.84 hours (2,496 × 54%) because 46% of costs incurred by the Riverside Shelter are reimbursed by the City of Riverside.

This methodology is incorrect because Riverside County is responsible for all lost and found activities. Therefore, 100% of the costs incurred by Riverside County should be claimed as a direct cost on its mandate claims and the proportionate share paid by the City of Riverside should be identified as offsetting revenues on the county's claims.

See Audit Report dated May 13, 2011, pages 26-28.

Recommendation:

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

DAS response: The county agrees with findings and recommendations.

Finding 6 – Overstated costs for maintaining non-medical record costs.

The county claimed salaries and benefits totaling \$983,794 for maintaining non-medical records during the audit period. We determined that \$977,575 is allowable and \$6,219 is unallowable. We initially determined that all the salaries and benefits were unallowable because they were estimated; however, the county performed a time study that determined that \$879,029 is allowable. In addition, we determined that the county misclassified computer software costs (+ \$35,926) that were incorrectly

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excluded as the City of Riverside's percentage (+ \$29,950), and claimed ineligible Chameleon training (\$6,567).

Estimated Salaries and Benefits

For FY 1998-99 through FY 2007-08, the county claimed costs based on an estimate of 10 minutes per animal to enter all non-medical information into either the Paradox program or the Chameleon program. In FY 2008-09, the county performed a time study and determined that it spent 27 minutes, 1 second per non-medical record. The county time-studied two activities: creating an impound record and recording the disposition of the animal. The time study began on September 1, 2009, and continued until November 3, 2009. The county calculated the time study results and determined that it spent an average of 11 minutes, 58 seconds (11.98 minutes) creating an animal impound record and 15 minutes, 3 seconds (15.05 minutes) recording the final disposition of the animal for a total time of 27 minutes, 1 second (27.01 minutes) per record.

We reviewed the time study results and noted 17 entries that recorded excessive time spent processing non-medical record information. For example, one time study entry showed that an Animal Adoption Counselor spent 5 hours and 28 minutes recording an animal impound. When these 17 entries were excluded, we determined that the county spent 2,799 total minutes entering data for 413 animal records, an average of almost 7 minutes per record.

After we applied this rate to the employee classifications that participated in the time study, allowable costs totaled \$879,029.

Misclassified Computer Software Costs

As noted in Finding 2, the county purchased the Chameleon software system in FY 2001-02 and claimed \$35,926 for the license, technical support, and the software maintenance fee from HLP, Inc. The Chameleon program is used to record animal data and, therefore, should have been claimed under the Maintaining Non-Medical Records cost component under contract services.

Incorrect Exclusion of the City of Riverside's Proportionate Share of Paradox and Chameleon Costs

For FY 1999-2000, FY 2005-06, FY 2006-07, FY 2007-08, and FY 2008-09, the county incurred \$104,367 in maintenance fees for the Chameleon and Paradox software programs. When calculating the claimed costs, the county excluded both the non-mandate portion (40%) and the proportionate share paid by the City of Riverside. The county should not have excluded the City of Riverside's proportionate share because the county's contract with the city consists of shelter services and field services, not Chameleon or Paradox software costs. Therefore, the county should have claimed reimbursement for the mandate-related cost of \$62,620 ($\$104,367 \times 60\%$).

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Ineligible Chameleon Training

In FY 2007-08, the county claimed reimbursement of \$6,567 for Animal Shelter staff to receive training on how to enter non-medical record information using the Chameleon software system. As noted in Finding 1, Chameleon training is not an allowable activity.

See Audit Report dated May 13, 2011, pages 30-31.

Recommendation:

We recommend that the county ensure that claimed costs include only eligible costs that are properly calculated and claimed in the correct reimbursable component.

DAS response:

The County disagrees with the finding. Chameleon© is the software application which controls, documents and audits animal impounds and field activities. This includes the animal description, circumstances under which the animal was impounded, taken up, or euthanized, the usernames of the personnel who took up, euthanized or impounded the animal, any owner, licensing or microchip information as well as the initial and follow-up medical treatment/care. It also documents the disposition of all animals and includes the names of the adopters, their addresses and phone numbers (Food & Ag. §32003), their other contact information, and the scanned images of their drivers licenses. Staff is trained on how to use the application to precisely document all mandated activities of those impounds which are ultimately euthanized or die during the increased holding period. Staff uses the application to link pictures of impounded strays and attaches these pictures to the animal record, kennel card and webpage to meet the lost and found requirements and enable owners to be reunited with their lost pets. Inventory reports extract the data necessary to provide the information on the daily population of impounded strays in each shelter for each day of the holding period. Computers were purchased and Chameleon © installed so that staff can document these mandated activities in a timely and efficient manner. Additionally, Internet Explorer and the World Wide Web provide staff with the ability to assist the public with the names, locations and contact information of other local shelters to facilitate lost and found reunification efforts.

Finding 7 – Overstated necessary and prompt veterinary care costs.

The county claimed \$1,240,452 for necessary and prompt veterinary care for the audit period. We determined that \$287,383 is allowable and \$953,069 is unallowable. We initially determined that all of the salaries and benefits were unallowable because they were estimated; however, the county performed a time study and, based on the time study results, we determined that \$77,488 is allowable. In addition, we determined that the county underclaimed material and supply costs by \$197,773.

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Estimated Salaries and Benefits

The county did not claim reimbursement under this cost component for FY 1998-99 through FY 2002-03. The county claimed \$1,228,330 in salary and benefit costs for FY 2005-06 through FY 2008-09. The county estimated costs for FY 2005-06 through FY 2007-08 by claiming three hours per day for the entire veterinary staff. This estimate is incorrect because it is based on an estimate of time spent performing mandated activities and does not specify that the costs were incurred for the eligible animal population.

The county performed its first time study from January 6-8, 2009, at its Riverside, Blythe, and Coachella animal shelters. Over these three days, the county time-studied 54 animals that received physical exams and wellness vaccines. The county calculated the results of the time study and determined that it spent 2 minutes, 59 seconds (or 2.98 minutes) per animal.

For the FY 2008-09 claim, the county multiplied 2.98 minutes by the total number of animals that died or were euthanized.

We reviewed the time study results and determined that the county should have claimed 2 minutes, 49 seconds (or 2.82 minutes) per animal, and that 74.07% of the physical exams and vaccination treatments were performed by Registered Veterinary Technicians and 25.93% were performed by Veterinary Technicians.

Based on the time study results, we determined that \$87,538 is allowable. However, the county subsequently stated that the January 6-8, 2009 time study was incorrect because the Chief Veterinarian, Veterinary Surgeons, and Supervising RVTs also perform mandated veterinarian activities and were not involved in the time study. We informed the county that it could perform a second time study and then share the results with us. Subsequently, the county provided us with a Chameleon report for the period of June 1-30, 2010, that reported the county's time spent on the following two activities:

- Initial physical exam and administration of wellness vaccines, and
- Veterinary treatment to relieve the suffering of a "treatable" animal.

We reviewed the time study results and determined that the county spent 77,453 seconds performing initial physical exams and administering wellness vaccines for 696 animals, which is an average of 1.85 minutes per animal ($77,453 \div 696 \div 60$). In addition, the county spent 12,690 seconds providing veterinary treatment to 298 of those 696 animals (or 42.82%), which is an average of 0.71 minutes per animal ($12,690 \div 298 \div 60$).

We applied the time study results for the initial physical exam and administration of vaccines to all eligible animals (as identified in the table above) and determined that \$59,169 is allowable. In addition,



Department of Animal Services
Robert Miller, Director

we applied the time study results for the veterinary treatment to 42.82% of eligible animals, and determined that \$18,319 is allowable, for a total of \$77,488 (\$59,169 + \$18,319).

We recognize that the second time study results in fewer allowable costs than the first time study; however, we consider the second time study to be more appropriate for the following reasons:

- It occurs over a 30-day time period (instead of three days);
- Uses actual time amounts extracted from Chameleon;
- Includes the all-veterinarian staff that performed the mandated activities (including the Chief Veterinarian, Veterinary Surgeons, and Supervising RVTs); and
- Includes veterinary treatment to relieve the suffering of a "treatable" animal.

The county claimed \$12,122 in materials and supplies costs for FY 1998-99 through FY 2002-03. The county provided only a listing of the total costs. The listing appears to accurately identify the medical costs for each euthanized animal; however, further review indicated that for FY 1999-00, FY 2000-01, and FY 2001-02, the county either estimated a rate of \$14.58 per animal or determined total medical costs to be \$14.58 per animal or applied this rate to all euthanized animals. However, the costs are unallowable because the listing does not address the following requirements for reimbursement:

- The type of animal (stray, adopted, etc.) that received the treatment;
- The specific activity performed (spay/neuter, wellness vaccine, physical exam, etc.); or
- Identify how the medical costs were calculated.

Subsequently, the county provided invoices for MWI Veterinary Supply for FY 2005-06 through FY 2008-09. We reviewed these invoices and identified the types of vaccines and the amount of reimbursable costs. We applied these vaccination costs by the applicable percentage of dogs and cats that died during the holding period or were ultimately euthanized to total dogs and cats and determined that \$123,513 is allowable.

For FY 1998-99, reimbursement begins on January 1, 1999. Therefore, we only used one-half of the average yearly vaccine cost ($\$22,673 = \$45,345 \div 2$) for that year. In addition, as the county was not able to provide animal data for FY 1998-99 through FY 2001-02, we used the average of FY 2002-03 through FY 2004-05 to determine the number of eligible number of dogs and cats to use for FY 1998-99 through FY 2001-02.

If the county is able to provide wellness vaccine invoices to support actual costs incurred for FY 1998-99 through FY 2002-03, we will revise the audit results as appropriate.

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Recommendation:

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

DAS Response:

Agree. The county agrees with findings and recommendations.

Finding 8 – Understated procuring equipment costs.

The county claimed \$79,160 for procuring equipment costs during the audit period. We determined that the net amount of \$126,800 is allowable (understated by \$64,508 and overstated by \$16,868). The understatement occurred because the county improperly excluded the City of Riverside's proportionate share (\$64,508) from its costs incurred. The overstatement occurred because the county claimed unsupported costs (\$13,491) and misclassified costs (\$3,377).

Unsupported Costs

In FY 2006-07, the county identified \$60,293 for the purchase of computers, monitors, and printers. However, the county provided invoices supporting only \$19,106, leaving \$41,187 unsupported. In addition, the county identified \$49,355 for the purchase of an x-ray workstation. The county provided an invoice to support \$48,755, leaving \$600 unsupported. Therefore, claimed costs of \$13,491 are unsupported.

Misclassified Costs

In FY 2005-06, the county incurred costs for kennel equipment and a scale totaling \$7,186 and claimed \$3,378 after backing out \$3,808 as the City of Riverside's portion. We reclassified these costs to the Care and Maintenance cost component.

City of Riverside's Proportionate Share

For FY 1998-99 through FY 2006-07, the county purchased computers, monitors, printers, printer cables, a network server, and additional memory. The county excluded both the non-mandate portion and the proportionate share paid by the City of Riverside.

We determined that the county should not have excluded the City of Riverside's proportionate share because the county's contract with the city consists only of shelter services (animal care technicians, veterinary technicians, RVTs, office assistants, adoption counselors, and volunteer coordinators) and

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field services (Animal Control Officers and Sergeants). We reviewed the county's monthly billings to the city and confirmed that it does not include charges for equipment costs. Therefore, the county should have claimed reimbursement for 100% of its mandated costs incurred and not offset its costs for the City of Riverside's proportionate share.

Allowable Materials and Supplies Costs

The county's claims during the audit period identified materials and supplies costs totaling \$88,519 and fixed asset costs totaling \$182,909. Both amounts were incurred for equipment-related purchases. After allocating these costs by the applicable mandate-related percentage and by a proportionate share for the City of Riverside, the county claimed \$78,880 for these costs.

As noted above, the county was unable to provide support for equipment purchases totaling \$41,787 and kennel equipment purchases totaling \$7,186 were reclassified to the care and maintenance cost component. We analyzed all of the remaining equipment purchases, totaling \$222,455, as materials and supplies costs and determined that \$126,520 is allowable.

Recommendation

We recommend that the county claim reimbursement for eligible costs that are properly supported, and claimed in the correct reimbursable cost component.

DAS response:

Agree. The county agrees with findings and recommendations.

Finding 9 – Misstated indirect costs.

The county claimed \$1,460,896 in indirect costs for the audit period. We determined that \$1,090,471 is allowable and \$370,425 is unallowable. The unallowable costs occurred as a result of unallowable salaries and benefits identified in Findings 1, 5, 6, and 7 (\$325,940) and because the county overstated the indirect cost rate for FY 2007-08 and FY 2008-09 (\$44,485).

Unallowable Indirect Costs Related to Unallowable Salaries and Benefits

As a result of the unallowable salaries and benefits identified in Findings 1, 5, 6, and 7, related indirect costs totaling \$325,940 are also unallowable.

Overstated Indirect Cost Rates

The county overstated the indirect cost rate FY 2007-08 and FY 2008-09, which resulted in an

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overstatement of \$44,485:

For FY 1998-99 through FY 2006-07, the county classified janitorial services as a direct cost. However, for FY 2007-08 and FY 2008-09, the county classified janitorial services as an indirect cost. In addition, we noted that costs for institutional clothing and protective gear were classified as indirect costs for all years of the audit period. We reclassified janitorial services as direct costs for FY 2007-08 and FY 2008-09 and reclassified institutional clothing and protective gear as direct costs for all years of the audit period. We recalculated the indirect cost rates and determined that changes to rates prior to FY 2007-08 were immaterial.

An indirect cost is a cost incurred for a common or joint purpose that benefits more than one program and is not directly assignable to a particular program.

The parameters and guidelines (section V.B.–Indirect Costs) states the following:

Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives.

If the county can demonstrate that amounts incurred for clothing and protective gear and janitorial services were indirect costs, then we will revise the audit results as appropriate.

Recommendation:

We recommend that the county ensure that the indirect cost rates are properly calculated.

DAS response: County agrees with findings and recommendation.

Finding 10 – Misstated offsetting revenues.

The county offset \$383,513 on its mandated cost claim for FY 2008-09. We determined that the county should have offset \$820,616 on its mandated cost claims for the entire audit period (offsets were understated by \$655,763 and overstated by \$218,660). The difference occurred because the county abated expenditures incurred by the City of Riverside against county costs incurred and claimed the balance on its mandated cost claims. In addition, the county miscalculated offsetting revenues for FY 2008-09.

The parameters and guidelines (section VII–Offsetting Savings and Other Reimbursements) state the following:

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Any offsetting savings that the claimant experiences as a direct result of this mandate must be deducted from the costs claimed. Additionally, reimbursement for this mandate received from any source shall be identified and deducted from this claim.

FY 2008-09 Offsetting Revenues

For FY 2008-09, the county offset \$383,513 on its Animal Adoption claim, which accounts for the proportionate share of mandated costs for the following 13 contracting cities:

Banning
Beaumont
Blythe
Calimesa
Cathedral City
Coachella
Desert Hot Springs
Hemet
Indian Wells
La Quinta
Palm Desert
Rancho Mirage
San Jacinto

The county did not include the City of Riverside's proportionate share into the FY 2008-09 offsetting revenue calculations because the county claimed only a portion of its direct costs on the mandate, leaving the difference for the City of Riverside to claim. We have stated that this methodology is incorrect within Findings 5, 6, and 8.

Calculation of Offsetting Revenues for the City of Riverside

For the audit period, the City of Riverside filed Animal Adoption claims with the State totaling \$2,510,016. However, the City of Riverside does not operate an animal shelter and contracts with Riverside County to provide animal services. Per the terms of the contract, Riverside County provides field services and shelter services for the city. In turn, the county bills the City of Riverside each month for these services. We determined that the city's contract revenues funded mandate-related activities performed by the county totaling \$803,680 during the audit period.

For the shelter services, the county determines total monthly Riverside shelter costs and bills the city for its proportionate percentage. The monthly shelter costs consist of salaries and benefits for shelter staff (e.g., Animal Care Technicians and Office Assistants), veterinary staff (e.g., Veterinary Technicians and Registered Veterinary Technicians), and field staff (e.g., Animal Control Officers and Sergeants). The proportionate percentage is based on the number of impounded "city" animals in July of each fiscal year.

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to the total number of animals housed at the county's Riverside shelter. Because the county specifically identifies "City of Riverside" animals within its animal database, the county is able to bill the City of Riverside a percentage of shelter costs, versus a fixed rate.

Please refer to Audit report, pages 42-48.

Recommendation:

We recommend that the county offset all revenue received from the contracting cities for mandated activities on its Animal Adoption Mandated cost claims.

DAS response:

Agree. The county agrees with findings and recommendations.

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